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A COMPARATIVE STUDY OF WAGES POLICIES

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The undersigned certify that they have read, and recommend to the Faculty of Graduate Studies for acceptance, a thesis entitled ....

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submitted by ....STEVEN DOLF LE POOLE..............

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ABSTRACT

The purpose of this thesis is to determine the applicability of a wages policy as an anti-inflationary measure in the Canadian economy. It is thought to be a timely topic: such a policy was discussed as a possibility in 1966 and again in 1967.

In order to obtain a background and some general principles, the experiences of three wages policies, namely those of Sweden, Great Britain, and the Netherlands are examined. Having studied and evaluated the institutions, patterns, and problems associated with the wages policies of these three countries, a number of conditions and influences that may determine the successful implementation of such a policy are enunciated.

Upon applying these general principles to the Canadian economic and political scene, it is found that to successfully implement a wages policy in Canada would be difficult at best. The main reasons for this are the economic disparities among the various regions in Canada, the constitutional division of jurisdiction between federal and provincial governments in matters pertaining to labour relations, and the structures of the central labour and management organizations.

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CHAPTER I

INTRODUCTION

Nature of the Problem

With the passage of the effects of the Second World War and the gradual return to more normal conditions in the economies of the Western European nations, an old problem returned to vex governments, namely inflation. It reappeared in peace-time in what may essentially be termed a 'modern' form, modern in that the casual factor, with the exception of the inflation connected with the Korean War, was the achievement of full employment.

In attempting to counteract inflationary tendencies associated with full (or near full) employment, governments found that the application of traditional economic policies presented difficulties, and hence lacked effectiveness. Thus, in order to supplement monetary (and later Keynesian) measures, a number of nations developed wages policies. The idea that such wages policies are "supplementary" deserves emphasis. Wages policies are intended only as adjuncts to, rather than as replacements of wider economic and social policies. As suggested throughout this paper, wages policies can be implemented and approach a measure of success only if applied within the context of fiscal, monetary, social, and other policies.

Defining wages policy brings us to a problem dealing with semantics and perception. What is wages policy to a Swede is merely centralized bargaining to a Dutchman; to many North Americans the Dutch wages policy smells of a further obnoxious manifestation of government interference in the natural and free workings of a market economy. Accordingly, a definition broad enough to embrace all types of wages policies has been adopted in this paper, namely that suggested by the Organization for Economic Co-operation and Development. Although this definition deals with 'incomes policy' rather than with 'wages policy', the difference between the two is not that great and one of degree and scope only. While a wages policy is generally limited to dealing with the wages and earnings of hourly workers and/or those whose wages are determined by collective actions, an incomes policy applies to all incomes whether they be derived from hourly or salaried work, dividends, interest, or through profit. The OECD definition has one further advantage, that being that the Economic Council of Canada has found it to be acceptable for its purposes.[1]

The OECD definition states that:

> What is meant by an incomes policy . . . is that the authorities should have a view about the kind of evolution of incomes which is consistent with their economic objectives, and in particular with price stability; that they should seek to promote public agreement on the principles which should guide the growth of incomes; and that they should try to induce people voluntarily

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[1] Economic Council of Canada, Third Annual Review, (Ottawa, Queen's Printer, 1966), p. 148.

to follow this guidance.[2]

To this may be added that a wages policy should be consistent through time and national in application. It should be noted that exhortations and appeals for wage restraint, wage freezes, centralized bargaining, and appeals for voluntary restraints are not necessarily included in this definition.

The purpose of this paper is to examine the experiences of three such wages policies, specifically those of Great Britain, Sweden, and the Netherlands. Its main concern is to isolate the forces that molded the institutions and procedures of the three wages policies. Specifically, the following factors will be examined:

1. The general economic and other characteristics of the three nations that led to the adoption of a wages policy.

2. The structures of the labour and employers' organizations and their adaptability to the requirements of a wages policy.

3. The attitudes of the participants, i.e. labour, management, and the government in the formulation and implementation of the policy.

4. The prevailing system of wage determination prior to the introduction of a wages policy, and the changes required to implement a wages policy.

5. Specific problems that appeared during the operation of the

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[2] OECD, Policies for Price Stability, (Paris, OECD, 1962), p. 23.

wages policy, and the nature of attempts to solve them.

6. Conditions that contributed to the eventual success or failure of the wages policy in the light of its stated objectives. Having examined and articulated such influences, it will be of value to compare them to the circumstances within which a Canadian wages policy would operate.

The Causes and Effects of Inflation: A Review

Since the main purpose in implementing a wages policy is to aid in the prevention or retardation of inflation, some of the causes and effects of this phenomenon should be briefly reviewed.

Inflation may be defined as a "sustained rise in the general level of prices."[3] As Walker points out, this definition guards against two misunderstandings. A fluctuation of consumer or wholesale prices over the course of several months is not considered inflation: nor is it inflation when a long-term rise in prices of some goods is off-set by a long-term fall in others.

The effects of inflation are numerous and no attempts will be made to list them all. Among the more serious is the general deterioration of the value of money as a store of value.

Second, inflation has an effect on the distribution of incomes, with serious consequences for those existing on fixed incomes over

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[3] F.V. Walker, Growth, Employment and the Price Level, (Englewood Cliffs, N.J., Prentice-Hall, Inc., 1963), p. 272.

the long term. Third, if inflation exists at a greater rate in one country than in its trading partners and competitors, this will have an adverse effect on the country's terms of trade, leading to balance of payments problems. And finally, inflation may cause distortions in the domestic economy. As prices rise, businessmen will tend to acquire excessive stocks of inventory and capital goods, with the resulting misallocation of resources.

A review of the causes of inflation is complicated by the fact that economists themselves are by no means of one mind on the subject. Inflation is variously attributed to an increase in the supply of money larger than the concurrent increase in the production of goods and services, or to conditions of excess demand, or to cost factors. And although but a few writers in the field are willing to propose that any one of these factors is the single cause of inflation, most will lay more emphasis on one than another.

To Milton Friedman "Inflation is always and everywhere a monetary phenomenon, resulting from and accompanied by a rise in the quantity of money relative to output."[4] At a level of economic activity approaching (or actually at) full employment, an expanding money supply will create bottlenecks, manifested in shortages of labour, capital, or materials. In the absence of corrective measures,

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[4] M. Friedman, "What Price Guideposts," Guidelines, Informal Controls and the Market Place, ed. G. P. Schultz and R. Z. Aliber, (Chicago, University of Chicago Press, 1966), p. 18.

this will lead to rising costs which will be reflected in rising prices.

A second theory of inflation is that named demand-pull inflation. This occurs when aggregate demand exceeds the level of aggregate supply produced at full employment. Where resources are not fully employed, an increase in demand causes an expansion of supply. However, at full employment supply is fixed and an increase in demand (whether flowing from an increase in the supply of money or, for example, a rise in government spending) will be reflected in rising prices.[5]

A third theory of inflation, namely cost-push inflation, holds that costs (including mainly wages) may be able to rise independently, thereby influencing prices upwards. Such an independent wage increase could be caused by powerful unions forcing employers to cede to their demands for wage increases amounting to more than productivity increases enjoyed over the same period.

The position to be taken in this paper will be that neither demand-pull nor cost-push are wrong, nor that the two are mutually exclusive. This is quite similar to the conclusions of W. Fellner (et al) in their O.E.E.C. study entitled <u>The Problems of Rising Prices</u>: both excess demand and wage increases must take partial

[5]Note: In this paper the quantity theory of money will be considered as a variant of the excess demand theory in analysing the causes and remedies of inflation.

blame for inflation.[6] Fellner adds one further cause, namely monopoly pricing. Aside from the fact that Fellner considers this an insignificant factor, this cause of inflation is better dealt with through a 'prices' policy, and will not be discussed here.

Inflation and Wages Policy: Pros and Cons

The arguments put forward by economists for and against wages policy and its effectiveness as an anti-inflationary device depend mainly on which of the above types of inflation the particular economist places emphasis. Accordingly, economists proposing demand-pull (or the expansion of the money supply) as the predominant type of inflation place their faith in fiscal and monetary measures to dampen inflationary tendencies, and furthermore point out that a wages policy would create more harm than good. Friedman, for example, feels that wages policy (or guidelines) will result in "suppressed" rather than "open" inflation and that this will create ". . . distortion into the allocation of resources and the distribution of output."[7]

Moreover, demand theorists perceive the excess demand type of inflation as an all-embracing kind of inflation. Walker points out that the quantity theory of money is really only one aspect of

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[6] W. Fellner, (et al), The Problem of Rising Prices, (Paris, O.E.E.C., 1961).

[7] M. Friedman, p. 37.

inflation as a result of excess demand.[8] And with respect to cost inflation Machlup states that

> An inflation of effective demand is a necessary condition not only for demand-pull inflation of consumer prices but also for a cost-push inflation. Without an expansion of demand, the cost boost would result in less production and less employment, not in a continuing rise in the level of consumer prices.[9]

Other theorists, holding that the main impetus to inflation arises from cost-push factors, propose wages policy as an obvious remedial measure. Kaldor states that "Without a continued rise in money wages inflation could not go on as a process in time . . . . It is the rise in wages which governs the increase in monetary demand and thus the rate of increase in incomes generally."[10]

In discussing a wages policy and its anti-inflationary effects four main points should be noted. First, it is extremely difficult to distinguish between the two basic causes of inflation in the real world. Recognition of one type of inflation as opposed to another may often involve a time lag of such duration as to prevent the implementation of an effective antidote. Second, the two main types of inflation seldomly exist singly. That is to say, frequently both are

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[8] F. V. Walker, p. 278.

[9] Quoted from H. M. Douty, "Some Problems of Wages Policy," Monthly Labor Review, LXXXV, (1962), p. 735.

[10] N. Kaldor, "Economic Growth and the Problem of Inflation", Part II, Economica, (XVI), (1958), p. 292.

operative, feeding upon one another.[11] Third, beyond the problem of recognition of the inflation and its type, the implementation of appropriate fiscal and monetary policies requires action of a political nature. Since increased taxes and reductions of government spending are generally unpopular measures, governments often hesitate to act promptly and effectively. Fourth, a wages policy is not an anti-inflationary method of and by itself. Rather, when implemented it is intended as an adjunct or accessory to fiscal and monetary policies.

Accordingly, having overcome the political and social problems associated with its formulation and implementation, a properly administered wages policy, effectuated in conjunction with fiscal and monetary policies, may be preferable to fiscal and monetary policies alone in that the wages policy operates constantly. If consistent through time and scope, its application does not depend upon clear and unequivocal recognition of inflation, its type, and subsequent adoption of remedial measure by a government whose existance depends on political popularity. Although the wages policies discussed in this paper are subject to political and social pressure, they are less so and in a more indirect manner than the government itself as they are most frequently operated by independent bodies.

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[11] The relationship between demand and cost inflation is simple and clearly explained in H. N. Douty's "Some Problems of Wages Policy".

The main purpose of a wages policy is then, in the words of the Economic Council of Canada, an attempt at "reconciling the goals of high employment and reasonable price stability".[12]

Under conditions of excess-demand inflation, a wages policy prevents the addition of cost inflation through wage factors. The contention that wages increase at a greater then normal rate under conditions of excess demand is supported by several emperical studies, among them A.W. Phillips' work titled "The Relation between Unemployment and the Rate of Change of Money Wage Rates in the United Kingdom".[13] This study found that the rate of change of money wage rates can be explained by the level of unemployment and the rate of change of unemployment. Thus conditions of excess demand inflation (as measured by the level of unemployment) would seem to exert pressure on wages, which in turn reinforces inflationary trends in the economy. Further emperical studies by Lipsey,[14] and Lipsey and Steuer[15] support Phillips' findings. Dicks-Mireaux and Dow[16] bring in a further

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[12] Economic Council of Canada, Third Annual Review, (Ottawa, Queen's Printer, 1966).

[13] Economica, XXV, (1958), pp. 283-299.

[14] R. G. Lipsey, "The Relationship between Unemployment and the Rate of Change of Money Wage Rates in the U.K., 1862-1957: A Further Analysis", Economica, XXVII, (1960), pp. 1-31.

[15] R.G. Lipsey and M.D. Steuer, "The Relation between Profits and Wage Rates", Economica, XXVIII, (1961), pp. 137-155.

[16] L.A. Dicks-Mireaux and J.C.R. Dow, "The Determinants of Wage Inflation, U.K.: 1946-1956", Journal of the Royal Statistical Society, CXXII, (1959), pp. 145-174.

dimension by discovering a relationship between wage rates on the one hand and price changes and pressure for the demand for labour (or unemployment) on the other hand.

Reasons for the above outlined behavior of wages under conditions of excess demand have been put forward by two further studies. Kaldor[17] finds that in times of inflation caused by excess demand, the bargaining strength of labour increases, thereby forcing employers to grant higher wages. Furthermore, employers are able to grant wage increases and subsequently pass the additional costs to the consumer. Paish[18] supports this latter opinion in favor of Kaldor's theory of an increase in bargaining strength as his study showed that a) profits were maintained at their previous levels and b) earnings were consistently higher than wages rates in the period under review.

A wages policy may also be of use in preventing a condition of excess demand from being created. Wages kept in line with productivity increases can not exert inflationary pressure. This is strengthened by figures presented by Kaldor, showing that 50 per cent of company profits are retained, whereas a full 95 per cent of wages and salaries are spent.[19] It is possible that in a situation of excess demand and 'controlled' wages, companies may enjoy larger than normal pro-

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[17] N. V. Kaldor, "Economic Growth and the Problem of Inflation".

[18] F.W. Paish, "Inflation in the U.K., 1948-1958", Economica, XXV, (1958), pp. 94-104.

[19] N. V. Kaldor, "Economic Growth and the Problem of Inflation," Part I, Economica, XXVI, (1958), p. 215.

fits; in such cases, the Swedish Confederation of Trade Unions and others have suggested that the government use its fiscal powers to siphon these off through taxation.[20]

The above review indicates the relationship between demand-pull and cost-push inflation through the movement of money wages. Whether wages by themselves can independently cause inflation is a question which economists have by no means resolved among themselves. This problem revolves mainly around unions and their influence on wage rates and earnings. A number of economists, such as Poole,[21] Kerr,[22] Maher,[23] and Friedman,[24] feel that unions generally do not substantially influence aggregate wages and that wages can not be considered to cause inflation independently. Hines[25] on the other hand shows a close association between the rate of change of money wage rates and the rate of change of unionization. In other words, unions are found to have an influence on wages independent of

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[20] LO, Trade Unions and Full Employment, Stockholm, 1951, p. 93.

[21] K. E. Poole, "Full Employment, Wage Flexibility, and Inflation", American Economic Review, VL, (1959), pp. 583-597.

[22] C. Kerr, "Trade-Unionism and Distributive Shares," American Economic Review, XLIV, (1954), pp. 279-292.

[23] J. E. Maher, "Union, Non-Union Wage Differentials," American Economic Review, XLVI, (1956), p. 352.

[24] M. Friedman, "Some Comments on the Significance of Labor Unions for Economic Policy," The Impact of the Union, ed. D. McCord Wright, (NewYork, 1951).

[25] A. G. Hines, "Trade Unions and Wage Inflation in the U. K. 1893-1961", Review of Economic Studies, XXXI, (1964), pp. 221-252.

the general demand for labour. Using American figures, Ozanne[26] compared two time periods, one with a low level of unionization, the other with a high level. His findings show that real average hourly earnings of production workers in manufacturing rose twice as fast in the period with the higher level of unionization as in the period with low level unionization.

Other Purposes of Wages Policy

Movements in wage rates under condition of full employment are not solely determined by conditions of excess demand or union bargaining strength. Other determinants may be briefly listed.

One prominent non-economic cause of wage movements within an industry lies in the use of "pattern bargaining". By this process a collective agreement between one firm and its union(s) in a particular industry is accepted by other employers and unions as the "pattern" in that industry, notwithstanding the economics of each separate firm. An example of pattern bargaining and its ramification was discovered by the National Incomes Commission in Great Britain. The commissioners investigated the Scottish Builders' and Plumbers' Agreements of 1962, involving a 7.5 per cent wage increase through a reduction of the work week, and found it to be excessive and contrary to the national interest. The main point of interest is that the commissioners stated that this agreement, involving, 5-6,000 employees, had already

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[26] R. Ozanne, "Impact of Unions on Wage Levels and Income Distribution", Quarterly Journal of Economics, LXXIII, (1959), pp. 177-196.

affected the wages of 80,000 workers in the Scottish building industry, and threatened further repercussions on the wages of one and a quarter million men in Great Britain.[27]

Wage determination may also come about through political forces. The Canadian experience of 1966 may be used to illustrate this. Whether or not the increases granted to Seaway workers, Montreal construction workers, and the Vancouver longshoremen were of inordinate size, it remains that the Canadian government chose to intervene in these disputes. This decision on the part of the government to directly participate in the settlement procedures was in all likelihood due to pressures brought to bear by the approaching completion date of Expo, and Western wheat farmers respectively.

Social forces may also have repercussion on wages and their determination. Hicks, in his paper "Economic Foundation of Wages Policy" states that "Economic forces do affect wages, but only when they are strong enough to overcome the social forces."[28] Barbara Wootton writes that wages and salary structures have been created "by a rich mixture of economic and social forces operating through considerable periods of history."[29] Although these two writers differ

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[27] Gr. Br., The National Incomes Commission, Report No. 1, (London, H.M.S.O., April, 1963), Cmnd. 1994, p. 41.

[28] Economic Journal, LXV, (1959), pp. 389-404.

[29] B. Wootton, Social Foundation of Wages Policy, (London, Allen & Unwin, 1955), p. 161.

somewhat in interpreting the relative strengths of economic and social forces in wage determination, they are agreed on the importance of social factors in the process.

Thus, a wages policy may be of value as an anti-inflationary measure on many fronts. If cost-push inflation does indeed prevail under certain circumstances, a wages policy may temper or restrain its seriousness. In the case of demand-pull inflation, a wages policy may prevent the situation from arising in the first place, or prevent intensification of the process through cost increases. And lastly, a wages policy may be able to negate social, political and bargaining influences so as to rationalize the procedures of wage determination with national rather than other considerations.

However, the problems associated with wages policy can be said to have only started once its use has been justified. Its implementation requires the organization of institutions and procedures whereby its general policy may be clearly enunciated and subsequently translated into operational terms, which will be meaningful and relevant to individual decision makers in the area of wages. This paper then is concerned primarily with the forces that molded institutions and procedures of wages policies in Great Britain, Sweden, and the Netherlands as they exist today. The procedure to be followed in examining the wages policies will be similar in each case. Every chapter will contain the following sections:

1. A brief statement of the country's general economic position,

with emphasis on levels of employment and foreign trade.

2. A description of the employer and employee organizations in each country, dealing especially with their structures and applicability to a wages policy.

3. A history of the development and operation of the respective wages policies, including a description of the parts played by labour, management and government, and an examination of the criteria upon which decisions were based.

4. An analysis and evaluation of the wages policy and some comments on problems that arose during its operation.

The final chapter will discuss the Canadian scene and attempt to determine the extent to which a wages policy could be applied in Canada and the problems likely to arise in such an endeavor in the light of the experiences of the three European countries. This will include factors as mentioned above, where applicable, and investigation of the implications for a wages policy of some features unique to the Canadian economic, political, and social fabric, such as the division of authority between the federal and provincial governments in matters pertaining to labour relations, the regionalism of the Canadian economy, foreign investment and U.S. ownership of industry, and international unions. For this, the experiences of Great Britain, Sweden, and the Netherlands will be used as a background where possible.

Canada and a Wages Policy

During the past several years, the implementation of a wages policy has been given some consideration in Canada for the same basic reasons that it was implemented in various European countries, namely to effect what the Economic Council of Canada terms a "trade-off" between full employment and price stability. Canada has in fact in the past two years approached full employment as measured on a national basis. And in the same period, inflation has prevailed at a greater rate than at any time since the Korean War.[30]

Official consideration of wages policy came in a speech by the Minister of Finance on September 8, 1966.[31] But the Economic Council in its Third Annual Review rejected the adoption of a wages policy in Canada at this time.[32] It is noteworthy that this rejection was not on the basis of any theoretical arguments regarding the nature of inflation and the appropriate remedial measures, but rather in view of the particular circumstances, both economic and institutional, of the Canadian economy. The main arguments presented by the Council against a wages policy were the strong regional differences of the economy, the division of labour relations authority between federal

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[30] As indicated by the Consumer Price Index - See Appendix A.

[31] Canada, Debates, House of Commons, 1st Session, 27th Parliament, Vol. VIII, p. 8214.

[32] pp. 159-163.

and provincial governments, the unwillingness of the government to resort to direct controls, and the lack of national labour and management bodies required for a wages policy.

Nevertheless, this rejection of wages policy by the Economic Council was not unequivocal. It pointed out that circumstances may change so that a wages policy may become justified, especially in the short term.

CHAPTER II

THE SWEDISH EXPERIENCE

General Economic Situation

In describing Sweden's general economic situation in the post-war period, two main factors stand out. First, Swedish economic policy has been extremely successful in maintaining full employment (however defined). Since 1945, unemployment has on the average been no more than two per cent of the labour force (see Appendix C). Second, Sweden, a fairly small nation, is highly dependent upon foreign trade. Over the years 1958 to 1962 exports totalled 26 per cent of the Gross National Product. The figure for imports over the same period was 27 per cent of the G. N. P.[1]

As discussed in the introduction, a continued prevalence of full employment (or near full employment) is the primary reason for implementing a wages policy. Sweden's dependency on foreign trade constitutes a strong additional reason for a wages policy. Also of interest is the fact that the level of unionization of Swedish workers is probably the highest in the Western world.

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[1]O. E. C. D., Economic Surveys: Sweden, 1964, (Paris, O. E. C. D., 1964), frontis page.

The Structure of the Trade Union Movement

Of the 3.3 million labour force, 1.8 to 2.0 million, or 55 to 60 per cent, are organized into labour unions (1960 figures). Organization is mainly on industrial rather than craft lines. The largest proportion of organized labour in Sweden, nearly 1.5 million workers, is associated with the Swedish Confederation of Trade Unions (or Landsorganisationen) hereafter referred to as the LO. Formed in 1898, the LO is composed of 44 affiliated national unions. Its membership is mostly made up of manual workers, although some white collar workers, especially those in the employ of the government, do belong. The influence of the LO in the Swedish economy is extensive, especially if compared to labour movements in other nations. This is partly due to the fact that it holds 80 per cent of Sweden's organized labour, and even more so to the LO's traditional political association with the Social Democratic Party, which has formed the Swedish government since 1932 (except for a short interval in the late 30's).

Within the labour movement, the power of the LO is probably more extensive than that held by any other federation of labour unions in the Western world. This power is derived from several conditions. First, the extensive coverage of the LO of workers as described above is a large contributory factor. Second, all strikes involving more than three per cent of a member (national) union's total membership must be sanctioned by the LO. Strikes carried out

without this approval can not draw on the central LO strike fund, which pays 25 per cent of the benefits for sanctioned strikes. This control is effective in most cases, with the obvious exception of the very large member unions who possess considerable separate funds. However, the primary source of the LO's power within the labour movement results from the fact that since 1941 an amendment to the LO constitution has allowed it to take part in wage negotiations. This is in sharp contrast to the powers of labour federations in other countries, such as the TUC in Great Britain, the CLC in Canada, and the AFL-CIO in the U. S. A.

The remainder of Sweden's unionized labour is organized into three other central federations. White collar salaried employees are grouped into the Central Organization of Salaried Employees (or TCO). Its membership was 390, 000 in 1960 and its structure less centralized than that of the LO. Professional workers numbering 57, 000 are members of the Swedish Confederation of Professional Associations (or SACO), and 16, 000 civil servants belong to the National Federation of Civil Servants (SR). Besides having fewer members, these three organizations are also overshadowed by the LO due to their less favorable financial positions. In addition, all three are politically neutral, thus depriving them of connections with government such as enjoyed by the LO.

The Structure of Employers' Organizations

For purposes of the labour market and labour relations, the

Swedish Employers' Organization (Svenska Arbetgiva Foreningen, or SAF) is the pre-eminent employers' organization in Sweden. In it are grouped 44 industrial employers' organizations, with a total membership of 16,500 firms employing 860,000 persons. Within the context of collective bargaining the SAF possesses even more power and control than its chief counterpart from labour, the LO. During collective bargaining, i.e. on the industry level, a member from the central board of the SAF is in attendance at all times. No firm or industry may sign a contract without first having submitted it to the SAF for approval. Nor can members call a lockout without prior approval from the SAF, although the SAF can impose a lockout on its members. Although employer co-operation with the SAF is based more on moral obligation, just as with labour unions vis-a-vis the LO, the SAF does have the power to impose heavy fines upon members who fail to comply with lockout regulations. A strong influence on members' co-operation with the policies of the SAF is the organization's mutual insurance arrangements by which losses sustained during a strike or lock-out are compensated.

Wages Policy in Operation

Among the three wages policies examined in this paper, Sweden's is unique and distinct in that the government played no active role in its formulation and does not participate directly in its operations. To understand this absence of the governmental role, a brief examination of Swedish labour policy and labour legislation is required.

Labour and management organizations in Sweden have in the past exhibited a desire to govern their own affairs. Successive governments have respected this desire with the result that the government has limited itself to the passage of protective legislation, covering such aspects as hours of work, unemployment insurance, holidays with pay, and sickness, accident, and old age insurance. In the field of labour relations only three acts exist, namely a mediation system (1906), a Labour Court for settlement of disputes (1928), and the rights of workers to associate and bargain collectively (1936). Compulsory arbitration is not provided for by statute and only limited use is made of the voluntary arbitration procedures provided by the first two acts mentioned above.

All the procedures and mechanisms for the operations of labour relations, which in Canada fall under the various appropriate federal and provincial labour acts have in Sweden been arranged by the LO and SAF through a series of "Basic Agreements". These Basic Agreements came about as a result of the LO-SAF traditional desire for independence of movement in the area of labour relations, together with the government's voluntary approach in this field. The LO and SAF preferred an arrangement with each other over government legislation. Accordingly, the LO and SAF signed the first Basic Agreement or "Saltsjöbaden" in 1938, (the Swedish name is derived from the seaside resort where the agreements were signed). The first Basic Agreement dealt with procedures for settling disputes,

prohibited strikes for political or religious reasons, and outlined procedures to be followed when disputes threatened essential services. Subsequent agreements covered matters such as industrial safety (1942), vocational training (1944), work councils (1946), and time and motion studies (1948). The 1946 agreement was co-signed by the TCO and during the 1950's the SAF signed agreements with several independent unions.

Given this traditional desire and ability of labour and management to govern their own affairs, it is reasonable that wages policy should be instituted by these two parties rather than by government. A limited wages policy was initiated during the early 1930's on the initiative of the SAF; at first only five export industries were affected. Further centralization of wage determination took place during the war when unions were unwilling to sign usual contracts of two years duration, given the probable uncertain behaviour of prices at a time of world-wide political and economic upheavals. With the authority gained in the 1941 amendment to its constitution, allowing its entrance into collective bargaining, the LO negotiated an agreement with the SAF which included a system of escalator clauses for the duration of the war.

The real impetus to a more organized wages policy came during 1951. Wage rounds in that year had been of a chaotic nature following the government-imposed wage freeze of 1950. These developments led the SAF to communicate to the LO its desire to come to

a central collective agreement covering wages, hours, holidays, and pensions. The LO accepted this proposal for two reasons. First, government wage setting as in 1950 was unacceptable from both practical and theoretical points of view. Second, the LO favored a measure of centralized bargaining in order to put into effect its policy of "wage solidarity". This policy was adopted at the 1937 Conference and intended as an attempt to narrow wage differentials of all types. The LO's acceptance resulted in the first "frame agreement", signed in 1952, covering the entire LO-SAF sector of the Swedish economy.

At this time it should be noted that when one speaks of wages policy in Sweden, the referral is of course only to the LO-SAF, and occasionally to the TCO-SAF, sectors. Fellner found, however, that wages in the general economy corresponded extremely closely to wages in the above mentioned sectors.[2] It would appear that the "frame agreement" provides some form of pattern for the wages of other organized and non-organized employees.

Similar agreements were signed in 1956, 1957 (for a two year period), 1959, 1960, 1962, 1964, and a three year contract in 1966. (The 1960 frame agreement is reproduced in Appendix E). Once the LO-SAF representatives have agreed upon and signed the frame agreement its terms are communicated to the member unions and employers, who are expected to follow these when bargaining on industry levels. LO and SAF staff members attend the industry level

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[2] Fellner, p. 396.

bargaining sessions in order to ensure compliance and the final agreements are presented to a bipartite tribunal for approval.

The role of the government in Swedish wages policy is difficult to assess. No formal machinery exists and the governmental role appears to be very unobtrusive. Both labour and management concede that it is within the government's jurisdiction to provide a sound, stable economy with a provision for stable growth. The maintenance of full employment is also felt to be the responsibility of government. However, it is realized in Sweden that an economic balance is difficult to maintain under full employment through the use of fiscal and monetary measures only. Thus, the wages policy as followed by labour and management has become complementary to governmental fiscal and monetary policy. Since it holds primary responsibility for the direction of the national economy, the government may at times communicate to the LO and SAF its opinions as to the upper limit for the following year's wage increases. Should the LO-SAF choose to disregard this opinion, and negotiate a frame agreement which in the view of the government may be harmful to the economy, the government turns to the State budget as a remedial measure. In the past, measures such as excise taxes, higher corporation profit taxes, higher interest rates, and forced savings plans have been used. However, in most years, the level of wages as negotiated by the LO-SAF appears to have satisfied general economic requirements as interpreted by the government.

Thus the mechanisms of wages policy in Sweden can be characterized as relatively non-structured, especially if compared to the workings of the Dutch wages policy. Its foundation lies in the acceptance by government, industry, and labour of the view that each others' policies and actions in the nation's economy should be complementary rather than contradictory. It is realized in Sweden that

> centralization of wages policy does not . . . constitute a protection against inflation if the national economy is not balanced. Conversely, . . . the balancing of the national economy does not constitute any guarantee for continued stability, if the trade unions pursue a wages policy without regard to its effects on the national economy as a whole.[3]

Rather than having been imposed by government and enforced by institutions created by statute, Sweden's wages policy is based on a common understanding of the nation's economic situation by the three parties involved.

Analysis and Evaluation

The outstanding feature of Swedish wages policy and one which requires explanation is the absence of more direct government participation. With the exception of the 1950 wage freeze, government action in this field is limited to occasional public statements with respect to the state of the economy. Also, private and informal discussions may at times take place between the LO-SAF representatives and government officials. Yet the total purpose and effect of

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[3] LO, Trade Unions and Full Employment, p. 90.

such statements and discussions merely seems to be to remind the LO and SAF of their responsibilities in the wages sector of the economy.

There are a number of reasons for this unique government-labour-management relationship with respect to the regulation of Swedish wages. Of primary importance is, of course, the desire on the part of labour and management to govern their own affairs. It is curious that in Sweden, generally characterized as being in an advanced state of socialism, the LO and SAF feel that collective bargaining is more effective without rather than with government participation. However, the government demonstrated in 1950 that it can overcome its reluctance to step into the field of labour relations where wages are concerned. It is probably not coincidental that the first frame agreement (of 1952) followed closely upon the government's unprecedented wage freeze of 1950. With respect to the formulation of the Basic Agreements, T. L. Johnson makes the statement that "If the LO and SAF were to preach self-government in non-justiciable disputes they had sooner or later to show that they could govern."[4] This statement is as applicable to wages policy in the 1950's and 60's as it was to the Basic Agreement in 1938.

A second reason for government non-participation in the

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[4]T. L. Johnston, Collective Bargaining in Sweden, (Cambridge, Mass., Harvard University Press, 1962), p. 171.

wages policy exists. With the implementation and achievement of government full employment policies, the LO, like other labour organizations in the world, realized the successful conclusion of a primary aim of unionism. However, the LO saw that this achievement in no way lessened its responsibilities. As stated in the LO study entitled Trade Unions and Full Employment". . . it is impossible to maintain the exact national economic balance required by full employment merely by means of monetary or financial (sic) policy."[5] For this reason, and others mentioned below, the LO, in conjunction with the SAF accepted the responsibility of supplementing fiscal and monetary policies in order to lessen the potential adverse effects of full employment.

Thus from a number of sources the approach evolved that the government implement policies of fiscal and monetary natures which assured the attainment of full employment and other national economic goals, while labour and management complement this and refrain from taking undue advantage from it through the use of a semi-independent wages policy. It must be allowed, however, that the role of government in the formulation of the LO-SAF wages policy was not altogether passive. During the late 1930's, the government seriously considered the institution of formal state wage-fixing machinery and submitted draft legislation on this subject to the LO. This led to the

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[5] LO, Trade Unions and Full Employment, p. 80.

wage-escalator clauses agreed upon by the LO-SAF during the early years of the war. Once again this action was based on the desire of both parties for free action and on the general appreciation of the fact that rationalized collective bargaining is a more efficient method of wage determination than state wage-fixing. Thus, in this particular case, the threat of legislation was more effective than its actual passage.

Reasons that the LO specifically chose to participate in a wages policy are of a dual nature. The first of these is that the Swedish trade union movement realized that a) inflation is harmful to the economy in general and b) that inflation can have detrimental effects on the position of wage earners specifically. As pointed out in Trade Unions and Full Employment "a continued rise in prices . . . would hamper total productivity, and this the increase in the standard of living and ultimately the real wages of wage earners."[6] Having accepted this thesis, the LO has since 1956 consciously attempted to align the interests of its members with those of the economy as a whole and followed a wages policy thought to be non-inflationary.

The second reason the LO saw advantage in a wages policy was its policy of "wage solidarity". This policy in the past aimed at the removal of inter-industry and male-female wage differentials which existed for historical and other non-economic reasons.

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[6] *ibid*, p. 82.

Since the early 1950's "wage solidarity" has come to mean "equal pay for equal work". In other words, differentials may exist according to the type of work, but the LO opposes wage determination according to an industry's economic position or the strength or weakness of the national union involved. The implementation of such a policy requires a substantial measure of centralized collective bargaining. Accordingly, the negotiation of the LO-SAF frame agreement was thought to be compatible to the policy of wage solidarity. It is ironic to note that the policy of solidarity was more successful previous to the 1956 frame agreement than since that time, this being due to reasons other than centralized bargaining.[7]

SAF participation in Swedish wages policy came for reasons very similar to those of the LO. As expressed by an SAF director in 1956, the SAF believes that

> . . . the primary responsibility for preserving the value of our currency devolves upon the Government, which alone controls the instruments of economic policy. If, however, the Government brings supply and demand into balance, it becomes naturally incumbant upon parties in the labor market to comport themselves with such discertion and moderation that new inflationary impulses are not set off by too hasty wage increases.[8]

This attitude is very similar, if not exactly the same, as that held by the LO regarding the position and role of wages policy in the nation's economy. In the implementation of wages policy much of the

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[7] Johnston, p. 319.

[8] Quoted in L. Lohse, "Centralization of Collective Bargaining in Sweden," Monthly Labor Review, LXXXI, (1958), p. 1231.

initiative has come from the side of the SAF. If was from them that the first approach to centralized bargaining came in 1934, in the interest of protecting export industries. Also, in 1952, after the chaotic wage developments of 1951, the initiative for the first LO-SAF frame agreement came from the SAF.

Swedish wages policy is of course not without its problems, the main one of these being the phenomenon of "wage drift". Wage drift is defined as the difference between the actual increase in earnings and the negotiated increase in wage rates as set down in the collective agreement. As an example of its intensity, Fellner points out that increases in actual earnings in Sweden from 1952 to 1959 were almost double the agreed-upon increases in rates.[9] Whereas negotiated increases in this period totalled 20 per cent, wage drift increased earnings by a further 22 per cent. Much research has been carried out by Swedish economists to determine the causal factors of wage drift. Factors such as the increasing productivity of labour leading to increased earnings under piece-rate systems, the scarcity of labour, and high profits of firms have been investigated. An authoritative study by B. Hansen and G. Rehn found that wage drift and its rate "is conditioned by the wage system applied [i. e. piece-rate vs. straight time] and highly influenced by the state of demand

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[9] Fellner, p. 397.

and supply in the labour markets,"[10] with the emphasis on the latter. Its existence implies that perhaps the SAF's and LO's control over member organizations is not all-pervasive (although not all increases through wage-drift should be attributed to the LO-SAF sector). Periodically attempts were made to predict the potential wage drift in a particular industry during negotiation of the frame agreement. Rate increases were then set at a lower level, the remainder to be made up by wage drift. Attempts of this type were, however, found to be unsuccessful.

In conclusion, the lessons that can be learned from Sweden's experience in wages policy are varied. One unstartling observation is that a national wages policy is not an economic panacea. During the period 1956 to 1965, the consumer price index in Sweden rose by 37 per cent, or at an average annual rate of four per cent. During the same period, the consumer price index of the Netherlands and Great Britain rose by 36 and 96 per cent respectively. Nevertheless, the value of a wages policy is difficult to measure by comparative standards. It is impossible to speculate what the rise in the consumer price index might have been had Sweden not implemented a wages policy. From the point of view of procedure, however, examination of Swedish wages policy is extremely useful in that it clearly demonstrates that a wages policy can be formulated and implemented out-

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[10] B. Hansen and G. Rehn, "On Wage Drift", Twenty-Five Essays in Honor of Eric Lindahl, (Stockholm, Economisk Tidskrift, 1956), pp. 87-139.

side the frame work of government.

CHAPTER III

BRITISH ATTEMPTS AT WAGES POLICY

General Economic Situation

As is the case with the other two nations studied in this paper, the two primary characteristics of the post-war British economy are the continuous presence of full employment and the high degree of dependency on foreign trade. As shown in Appendix C, the total number of registered unemployed in Great Britain rose above two per cent only twice since 1946, namely in 1959 and 1963. Furthermore, registered job vacancies have consistently outnumbered registered unemployed at a 2:1 ratio or higher since that time. With respect to imports and exports, these items combined constituted 38 per cent of the G. N. P. during the period 1950 to 1955 and 32 per cent from 1956 to 1960.[1] It is this latter point and its ramifications during the past period of full employment that have had the most influence on periodic British attempts to implement a wages policy. During the ten years from 1956 to 1965, the pound

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[1] M. Edelman and R. W. Fleming, The Politics of Wage-Price Decisions, (Urbana, Ill., University of Illinois Press, 1965), p. 149.

sterling was in serious difficulties five times.[2] In 1964, for example, the total balance of payments deficit for Great Britain was 746 million pounds, 400 million of which was in the current account.[3] It is felt in Great Britain that this deficit is partly caused by inflationary tendencies in the economy. With the existance of an inflationary gap, consumers are more likely to purchase imported goods, given a degree of substitutability and constant prices of the imported goods. Likewise, domestic producers faced with this influx of demand forego the exportation of their goods and attempt to satisfy domestic demand. Thus, a recurrent theme running through British attempts at a wages policy is this problem of the balance of payments:

> The measures already described to improve the balance of payments cannot by themselves solve the problem unless costs of production move more favourably than in the past in relation to those of our competitors. This will be helped by a faster growth of production and industrial efficiency. But the rate of money incomes of all kinds is also of great importance. The contribution that can be made to the balance of payments— and also to our living standards— by a successful and sustained prices and incomes policy is very great indeed . . . .[4]

The Structure of the Labour Movement

The British labour union movement is structured in a curious manner. Its total membership of approximately nine million workers,

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[2]Great Britain, The National Plan, (London, H. M. S., 1965), Cmnd. 2764, p. 69.

[3]ibid., p. 69.

[4]ibid., p. 10.

or 46 per cent of the work force, is grouped into 635 national unions. The members of these unions are organized along a mixture of lines: craft, industrial, multi-craft, and craft-industrial. Furthermore, some unions of industrial workers have formed federations within industries for purposes of collective bargaining, such as the Confederation of Shipbuilding and Engineering Unions. Accordingly, it is easy to see that the structure of the British labour movement can not be tidily described on an organizational chart. It should also be noted that of the 635 unions in Great Britain, nine contain 54 per cent of organized labour, while 344 of them contain only one per cent of the membership. This disparity in size is important when discussing voting within the Trades Union Congress which is done by block votes.

The central body of the British labour movements is the Trades Union Congress with an affiliated membership of over eight million. This figure is probably higher as some unions not directly associated with the TUC are often represented through their federations. Its main function as the central labour organization is to represent labour at the political level. With regard to collective bargaining, only since 1945 has the TUC had authority to intervene in an industrial dispute, and then only when a work stoppage seemed imminent. As such, the only obligation member unions must adhere to is to file with the TUC information regarding negotiations or any other conflict with employers. A further indication of the relative

weakness of the TUC concerning collective bargaining is that the annual fee per member is only one shilling, three pence, amounting to approximately half a million pounds with which to conduct its affairs.[5]

One other point of interest concerning the TUC is its relationship with the British Labour Party. Although all the major unions are affiliated with the Labour Party, control five-sixth of the vote at Labour Party conferences and the majority of votes for the election of Party executives, the TUC itself is not affiliated with the party. Thus, in spite of the close association that does exist, the TUC is free to formulate its own policies in agreement with, or in opposition to, those of the Labour Party.

The Structure of Employers' Organizations

Employers organization in Great Britain are organized along industrial lines. It is estimated that the sixty-three main groups employ approximately one-half of fifteen million employees in the private sector. The federated counterpart to labour's TUC is the British Employers' Confederation, whose main function is to represent employers on the national level vis-a-vis the government. With respect to industrial relations, the BEC has a Wages and Conditions Committee through which bargaining strategy is at times formulated. This committee also collects relevant data on col-

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[5] A. Sampson, Anatomy of Britain Today, (London, Hodder and Stoughton, 1965), p. 610.

lective agreements, wage rates, and other conditions of work. In general, however, the BEC (and the much smaller Federation of British Industries and the National Association of British Manufacturers) have little influence on the course of collective bargaining in Great Britain. They have no control over the actions of member organization and firms.

Wage Determination in Great Britain

For trade union members, the determination of wages is often a two-step procedure. The first step consists of national bargaining for each industry on the part of the national union or unions and the appropriate employers' organization. However, as Edelman and Fleming point out, "much of the size and shape of the pay packet is in actual practice . . . determined at the plant level,"[6] partly or not at all within the framework of the national agreement. By this system employees are able to increase their wages above the nationally set rate by applying bargaining advantages offered by conditions at the plant level. Employers also feel that the system offers them a measure of flexability, eg. in attracting labour. One further curious aspect of the bargaining at the plant level is that it is carried out by shop stewards whose connections with the union are frequently tenuous. This is enforced by the situation in Great

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[6]Edelman and Fleming, p. 166.

Britain whereby workers in one plant are often represented by more than one union and by the fact that officials of branch unions are few in number and have little money with which to operate. Consequently, the shop stewards have a great deal of freedom in collective bargaining. The problems that such a system of wage determination presents to the implementation of a national wages policy are abvious. A wages policy imposed upon the prevailing framework of wage determination has little change of success. Even if the TUC and national unions consent to co-operate vigorously with the government on a wages policy, they will be unable to enforce compliance at the local level due to the above financial and structural deficiencies.

Also of importance are two further methods of wage determination presently operative in Great Britain. The first is the Joint Industrial Councils through which approximately one-third of all wage increases have been determined in recent years. Membership on the boards is composed of TUC and employers' federation representatives. Their scope is wide in that the wages of employees in private, public, and government concerns may be determined by these councils.

Another 3,500,000 British workers have their wages determined by statutory wage fixing by Wages Councils, composed of representatives from labour and management in additional to several independent government-appointed members. They are operative mainly in industries containing many small and medium sized firms,

such as the retail trades. Their function is only to set minimum rates, acceptable to both parties; arbitration and conciliation are not officially within their scope.

Thus, the picture of the trade union movement and wage determination in Great Britain is muddled, diverse, and complex. According to Edelman and Fleming, the distribution of methods through which wage increases were arrived at during the period from 1956 to 1961 was as follows:

Direct Negotiation	- 38%
Joint Industrial Councils	- 33%
Wage Councils	- 19%
Cost of Living Sliding Scales	- 7%
Arbitration or Mediation	- 3%[7]

Furthermore, a persistence of informal methods such as steward bargaining at the plant level and the fact that rates set by Wage Councils are only minimums contribute to the generally confusing situation. Symptomatic of this is the fact that in Great Britain there is at all times a substantial upward divergence of weekly earnings over weekly rates.[8]

Attempts at a Wages Policy

As outlined in the introduction of this chapter, the main reason among several others for attempts to moderate wage demands or to implement a wages policy was, and continues to be, a desire to

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[7] ibid., p. 165.

[8] B. C. Roberts, National Wages Policy in War and Peace, (London, Allen and Unwin, 1958), p. 65.

establish a favourable balance of payments situation so that on this basis a stabilized rate of economic growth may be achieved. To this end, the British Government has been singularly unsuccessful in the post-war period. In spite of a number of fiscal and monetary policies and sporadic attempts to moderate wage demands, Great Britain continues to be plagued by a recurrent balance of payments deficit.[9] How much of this economic malaise may be attributed to the failure to implement a wages policy of some kind is, of course, extremely difficult to determine. Fellner, for example, discusses British wages and their determination and then concludes by merely stating that the system "failed to respond satisfactorily to the new problems posed by full employment."[10]

The criterion on which wage increases were to be based throughout this period was productivity. For example, in 1948, a White Paper stated that it is "essential that there be no further general increases in the level of personal incomes without a least a corresponding increase in the volume of production."[11] Seventeen years later a similar government publication reiterated that the "growth of money incomes should keep in line with the growth in real

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[9]See Fellner, pp. 267-71 for a chronology of fiscal and monetary policies from 1954 to 1960.

[10]ibid., p. 461

[11]Great Britain, Statement on Personal Incomes, Costs, and Prices, (London, H.M.S.O., 1948), Cmd. 7321, p.

output."[12]

The first government attempt to promote voluntary moderation of wage demands came in 1948 with the publication of the White Paper Statement on Personal Incomes, Costs, and Prices. The White Paper noted that in spite of increased direct and indirect taxation, wages continued to rise with no reference to the rate of output. Consequently, it asked labour and management to observe what was in effect a wage freeze, or otherwise to consider claims for wage and salary increases in terms of the national interest. In spite of the fact that the White Paper was issued without prior consultation with the TUC, that body and its affiliated members agreed to accept the government's policy. This agreement of the TUC was based, however, on several conditions, among them a demand that the government limit dividends and stabilize or reduce prices. Amazingly enough , this "policy without a policy"[13] continued with some success until early 1960, perhaps due to the fact that prices did remain fairly stable and that all felt a sense of crisis. Wages increased at only half the rate of the previous three years. The support of the TUC and its affiliated unions dissipated, however, when prices began to rise after the devaluation of the pound sterling in 1949 and under the impact of the general global inflation due to the Korean War.

The period from 1951 to 1961, under a Conservative Govern-

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[12] National Plan, p. 65.

[13] Edelman and Fleming, p. 182

ment, was one which saw numerous government attempts at wage moderation frustrated. Many methods short of statutory control were tried: the government made exhortations to labour, rejected arbitration settlements, and attempted to set examples with its own employees and the nationalized industries. Each time however, the TUC or the BEC refused to co-operate, or a crucial strike (eg. the railroad strike in 1952) or an arbitration board decision would result in a denial of the government's appeal.

These attempts culminated in 1961 with a "wage freeze" for which the government was to set the example by not granting increases to civil servants. The stated objective of the pay pause was to allow productivity to catch up to the wage increases of recent years.[14] In spite of TUC protests and refusal to co-operate, the government enforced the policy with regard to its own employees and in February of 1962 replaced it with the "guiding light". The government stated that in publishing a statement of principles, public opinion would be a major factor in promoting some moderation in wage demands.[15] This step is of interest for one further reason, namely that for the first time since the war, the government set what it considered to be a reasonable upper limit on wage increases. This then was the

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[14] H. M. Douty, "A Note on the British Incomes Commission," Monthly Labor Review, LXXXI, (1963), p. 1016.

[15] Great Britain, Incomes Policy: The Next Step, (London, H. M. S. O., 1962), Cmnd. 1626.

"guiding light" of 2.5 to 3.0 per cent. This figure was arrived at by the National Economic Development Council, which had recently been formed to promote and carry out economic planning and had set 3.2 per cent as a reasonable growth rate for the British economy.

This attempt also failed, partly due to the reluctance of the TUC and other unions to endorse it, and partly due to the government's unwillingness to enforce the measure through statutory controls. However, the industrial and political unrest created by this method did force the government to use a different approach to the problem.

This new approach appeared in November of 1962 in the form of the National Incomes Commission, a permanent independent body charged by the government to review wage settlements.[16] Having done so, the NIC was to publish its findings and state whether or not the wage agreement reviewed was in the national interest. The TUC objected to the establishment of this body as the guardian of the national interest and recommended that no co-operation be extended to it by affiliated unions. Employers at first endorsed the NIC, but when the committee approached its third investigation, they also refused to testify. The result was that the NIC reported on four wage agreements but had relatively little influence on the course of wages policy in Great Britain. Further difficulties were due in part to the fact

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[16] Great Britain, National Incomes Commission, (London, H.M.S.O., 1962), Cmnd. 1844.

that it was not given any specific criteria by which to judge the effect of a wage agreement on the national interest except that wage increases should remain in line with productivity increases and that a fair reward should be paid for the work concerned.[17] Nor did the commission possess powers to enforce its recommendations.

With the election of the Labor Party to the government in October of 1964, voluntary moderation was once more attempted. The Labour Government, however, seemed to have learned from past mistakes and before taking any action actively consulted with the TUC and the three employer federations. The result was the Joint Statement of Intent on Productivity, Prices and Incomes (December 12, 1964) under which the government undertook to "keep under review the general movement of prices and money incomes of all kinds" and "to examine particular cases in order to advise whether or not the behaviour of prices and [incomes] is in the national interest as defined by the government after consultation with management and unions."[18] This review of prices and incomes was to be carried out by the National Board for Prices and Incomes, operating under the auspices of the National Economic Development Council. In Prices and Incomes

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[17] ibid., p. 4.

[18] Great Britain, Machinery of Prices and Incomes Policy, (London, H.M.S.O., 1965), Cmnd. 2577, p. 2.

Policy[19] the board was established and was given a number of criteria by which to judge and make recommendations on price or wage movements. The government took one further step and threatened the use of more direct methods: "The government intends to give the voluntary method every chance of proving it can be made to work," however, "the government would resort to other methods only if it were convinced that the voluntary method had failed to work."[20]

The method of operation to be followed by the National Board for Prices and Incomes was outlined in a White Paper in November of 1965.[21] The government required that it be notified of all price increases. Following this notice, prices were to remain unchanged for 30 days, allowing the government an opportunity to examine the reasons and justifications for the increase. Only after the expiry of 30 days or after government approval could the price increase go into effect. Wage increases were to be processed in a similar manner, with the exception that notices of wage increases were to be forwarded to the General Council of the TUC. This body was to keep the government informed of submissions to it and its actions thereon. Should the government or the TUC find the projected price or wage increases

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[19] Great Britain, Prices and Incomes Policy, (London, H.M.S.O., 1965), Cmnd. 2639.

[20] Machinery for Prices and Incomes Policy, p. 2.

[21] Great Britain, Prices and Incomes Policy: An Early Warning System, (London, H.M.S.O., 1965), Cmnd. 2808.

difficult to justify in view of the national economic conditions, they in turn referred the case to the National Board for Prices and Incomes. Once again, however, no firm or union was legally obligated to follow the Board's rulings.

The system as outlined did in fact operate for approximately a year. In July of 1966, however, the British Government faced another serious balance of payments problem. The government responded with a statutory wage and price freeze, an action which even the war-time government had not been compelled to take. For a period of six months, a wage and price stand-still was to go into effect so that "productivity can catch up with the excessive increases in incomes which have been taking place."[22] This stand-still included wage increases already negotiated and to go into effect during the specified six month period. New wage agreements could be negotiated, but implementation was to be delayed until early 1967. The six month stand-still was to be followed by a further six months of severe restraint; only price and wage increases demanded by exceptional circumstances were to be allowed. All these provisions were included in the Prices and Incomes Act, passed in August of 1966. By this act, the National Board for Prices and Incomes was given statutory powers to enforce its decisions. Provision was made to fine parties found guilty of violations.

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[22] Great Britain, Prices and Incomes Standstill, (London, H. M. S. O., 1966), Cmnd. 3073, p. 2.

Analysis and Evaluation

Current events in Great Britain, such as the recent devaluation of the pound, may have been caused in part by the failure to establish a wages policy. This, however, can not be conclusively demonstrated, nor is this paper directed to that end. Nevertheless, the point remains that no wages policy, as defined previously, was implemented in Great Britain. However, the reasons that prevented the implementation of a wages policy, in spite of the strong efforts of both Labour and Conservative governments are of interest. Prior to 1962, Great Britain professed a wages policy in the narrowest sense on the word, i.e. the policy was to have no policy. The periodic and inconsistent attempts at wage restraint during the period from 1947 to 1962 came into effect only as dictated by expediency and should be considered as preliminary skirmishes to the more serious and direct attempts since 1962.

Yet the change of attitude that occurred in 1962 was only on the part of the government. It finally realized that White Papers containing vague references to the necessity of maintaining wage increases within limits as imposed by productivity increases were not an effective guide to be used by wage-price decision-makers. Accordingly, the 2.5 to 3.0 per cent limit as suggested by the NEDC was adopted. Furthermore, the government deduced that the co-operation of the main participants in the processes of wage determin-

ation was of value, not only in the implementation of a wages policy, but also in the formulation of its criteria and machinery. This led in 1964 and 1965 to the Joint Statement of Intent on Productivity, Prices and Incomes and subsequent active government-labour-management consultations on the procedures to be followed in submitting wage and price matters to the National Board on Prices and Incomes. But in spite of the fact that the government set a clear guideline and did gain more active support from labour and management bodies, the policies in effect from 1962 to 1964 failed.

The reasons for this are two-fold. First, the structural nature of the British labour movement and the system of wage determination are incompatible with a national wages policy, and second, labour and management continued to be only superficially committed to the idea of a wages policy. Thus attempts failed despite the inherent change in the government's attitude, because the above two factors remained essentially inflexible.

In gaining the support of the TUC for its policies, the government was dealing with a 'paper tiger' in matters of collective bargaining. Other than persuasion, the TUC has no power to dictate matters such as wages policy to its members. Acceptance of all such affairs is subject to a vote at the Annual Conference, where the opposition of a few of the very large national unions is often sufficient to block passage under the prevailing system of block voting whereby one union votes as one block regardless of internal differences of

opinion. However, should the TUC accept the government's proposals, the British system of wage determination would still prevent success, as it did during 1965 and 1966. It would appear that the national unions have as little control over the actions of their branches as does the TUC over the actions of the national members. Plant level bargaining is too decentralized and uncontrolled to even begin to achieve a measure of success in wages policy. To attempt control over this process would require a thorough re-organization of the operations and finances of the British labour movement. And under prevailing circumstances, TUC resolutions and wage increase figures of 2.5 to 3.0 per cent are only vague guidelines to men who deal mostly in terms of cost of living and real wages.[23]

Aside from the difficulties presented by structural aspects of the labour movement and the system of wage determination, it would seem that the TUC and the employers' federations are not wholly committed to the idea of a wages policy. With respect to labour's attitude, Edelman and Fleming state "There is a reason to believe that British trade unionists are not fully convinced of the need for a wages policy per se."[24] Prior to 1962, and since 1954, the TUC's attitude was one of outright opposition. At almost every Annual Conference in that

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[23] B. C. Roberts, "Trade Union Behaviour in Great Britain", The Theory of Wage Determination, J. T. Dunlop, ed., (London, MacMillan and Co. Ltd., 1957), pp. 114-115.

[24] Edelman and Fleming, p. 197.

period a resolution rejecting wage restraint, and government policies in that area, was adopted. The primary reason for this was the TUC view that the government was inordinately concerned with wages, while allowing prices and profits free movement. Also of some importance is the TUC's continuing desire for free collective bargaining. A wages policy and its ramifications in collective bargaining would only prevent labour from maintaining its share of the national income, according to the TUC. Nor is the TUC convinced that wages and their movements are a direct cause of inflation. It is much more willing to accept monopolies and managements' pricing policies as the main causal factors. Although the government has since 1962 begun emphasizing prices and profits in conjunction with wages and other incomes, TUC arguments remain much the same. Thus it would appear that labour in Great Britain is unwilling or unable to accept the government's propositions with respect to wages policy, or that the government has failed to adequately explain the purposes and position of wages policy in its economic scheme. Labour's general unwillingness to accept national rather than sectional criteria was demonstrated in July of 1966 with the resignation from the cabinet of Frank Cousins, who is also General Secretary of the Transport and General Workers Union, over the imposition of the wage-price freeze.

The attitudes and circumstances of the three employer federations with respect to wages policy are also negative. These organizations are as powerless as the TUC in determining national wage

movements. Recommendations to their member firms are an exception rather than the rule, and no regulation or obligation enforcing compliance exists. It is also of interest to note that only after the second report of the National Incomes Commission, one which dealt with the regulation of profits and prices to some degree, did the employers' federations advise its members to refrain from co-operating with that body. This is an indication of the employers' fears that a wages policy, especially in the context as enunciated by the Labour government, would bring with it direct restrictions of profits through price controls. Prior to this, management had been able to cover increased costs through price increases due to conditions of high demand. Furthermore, employers contend that wages policy would prevent them from using wages as a method of attracting labour as required. Thus, it would seem that employers are as unenthusiastic about a wages policy and its ramifications as is labour.

British attempts at a wages policy can be seen to have failed primarily due to contraventions of the principles as stated in the definition of wages policy in Chapter One. For most of the period under discussion, the government had no clear ideas on the long-term development of wages. And when such a view was stated, the government was unable to induce voluntary compliance to it to the degree required for a successful implementation. As demonstrated, this failure was due primarily to structural causes. This is the main point to be learned from the abortive British attempts at wages

policy: a measure of centralized bargaining and a concomitant degree of control over subsequent industry or plant level bargaining sessions are prerequisite to successfully implementing a wages policy.

CHAPTER IV

THE DUTCH EXPERIMENT

General Economic Situation

In 1945, the year wages policy was implemented, the Dutch economy lay in ruins. The passage of two battles and five years of German occupation had resulted in the destruction of 90 per cent of its transportation facilities, damage to its factories, and the loss of thousands of labourers through deportation.

Since that time, reconstruction has been completed and, especially with respect to foreign trade and employment, the Dutch economy, in the post-war period, has exhibited characteristics very similar to those of Sweden and Great Britain, except perhaps that these forces were experienced with greater intensity in the Netherlands.

The Dutch economy has traditionally been extremely dependent on foreign trade to supply both consumer items and raw materials for its industries. Levels of exports must therefore be maintained at import levels in order to prevent balance of payments problems. This dependency on foreign trade has not only continued since 1945, but has tended to increase since that time. From 1964 to 1966 exports

constituted 53 per cent of the G. N. P. The figure for imports in the corresponding period was the same, 53 per cent.[1]

As shown in Appendix B, full employment conditions have prevailed in the Netherlands since at least 1949. Only once in this period has the level of unemployment risen above 3.5 per cent of the labour force, that being in 1952.

It was against this general background that a crude wages policy was instituted in 1945. Within the context of a broader economic plan, the purpose of the policy was primarily to aid in the reconstruction of the Dutch economy by preventing a wage-price spiral, by dampening consumer spending, and by preventing balance of payments crises.

The more specific purposes of the wages policy may be best outlined by quoting the goals of the Netherlands' social and economic policy, in which the wages policy was to play its part:

> 1. Advancement of an as large as possible value of gross national product . . .;
>
> 2. . . . the prevention of unemployment;
>
> 3. advancement of economic freedom of movement with respect to foreign trade, i.e. the elimination of balance of payments shortages . . .;
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> 4. promotion of such composition of national goods . . . so that the capital supply is continuously capable of employing the available resources;

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[1]OECD, Economic Surveys: The Netherlands, 1967, (Paris, 1967), frontis page.

5. the promotion of such national spending concurrent with the composition of national goods (consumption and investment goods);

6. to satisfy the requirements of social justice to the greatest possible extent.[2]

The Structure of the Trade Union Movement

Trade unions in the Netherlands have been organized on a confessional and ideological basis since the Papal Encyclical Rerum Novarum of 1891. The largest of the three main labour organizations is the socialistic, confessionally neutral Netherlands Federation of Trade Unions (Nederlands Verbond van Vakvereniging, or NVV) with a membership of 507,000 in 1957. The second largest trade union federation is the Netherlands Catholic Workers (Nederlandse Katholieke Arbeitsbeweging, or KAB) with a membership of 418,000. The Christain National Trade Union Federation (Christelijk Nationaal Vakverbond, or CNV) is composed of mainly Protestant workers and has a membership of 225,000. Also present, but of relatively little importance, is a small communist led union. It is recognized by neither labour, management, nor government. Together, the three main labour organizations have a membership equalling 40 per cent of all employees. However, even though membership covers only 40 per cent, the coverage of employees by collective agreements was 79 per cent in 1962, this being due to the fact that employers

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[2] SER, Advies de in the Naaste Toekomst to Voeren Loon and Prijs Politiek, (The Hague, 1951, No. 1), pp. 8-9. (Translated by author)

may be required by law to extend provision of negotiated collective agreements to all their hourly employees. Thus the actions of the three main labour groups can be seen as definitive in Dutch industrial relations.

The Structure of Employers' Organizations

Employers' federations in the Netherlands are organized along the same religious and ideological lines as the trade union federations, except that 80 per cent of employers' associations belong to the neutral Central Social Employers' Federation (Centraal Sociaal Werkgevers' Verbond, or CSWV). Of the remaining employers, 15 per cent are associated with the Roman Catholic Federation and 5 per cent with the Protestant Federation. Accordingly, the influence of the latter two is rather limited, but as Windmuller points out, this triple separation does serve to maintain the symmetry of employer representation vis-a-vis the three trade union groups.[3]

Institutions and Operations of Wages Policy

Unlike Sweden, and until 1966, Great Britain, wages policy in the Netherlands is formulated, implemented, and enforced by institutions (or sections thereof) specifically established for this purpose. Of the three institutions mainly concerned with wages policy,

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[3] J. P. Windmuller, "Post-War Wage Determination in the Netherlands", Annals of the American Academy of Political and Social Sciences, CCCX, (1957), p. 111.

the Board of Government Conciliators and the Social Economic Council are bodies established by Government decree. The Foundation of Labour on the other hand is a private institution with no connection to government other than as an advisory body. In spite of the fact that prior to 1963 delineation among these three bodies was never entirely clear, a stable balance has been maintained in their relationships.

The Board of Government Conciliators

Wages policy was implemented in the Netherlands in 1945 with the passage of the Extraordinary Decree on Labour Relations (Buitengewoon Besluit Arbeitsverhouding, or BBA). Meant to be of a temporary nature, this act has since remained as the basis of Dutch wages policy. By this act, the College van Rijksbemiddelaars or Board of Government Conciliators was re-established after having been in disuse during the occupation. Since the post-war Board provides no conciliation or mediation facilities, its name is deceptive. Composed of part-time and full-time members numbering five to seven, its official functions are broad. As stated in its first annual report, the Board has the "authority to declare binding official regulations concerning wages and conditions of work, to expand the scope of the law to make it generally effective, to allow or disallow collective bargaining agreements and to provide general guidelines with regard to the regulation of wages and other conditions of

work".[4] To this end, the Board possesses legal powers of enforcement.

The above are merely formal powers of the Board as outlined in the BBA. The freedom and extent to which the Board in practice carries out these functions has been limited in two ways. In the first place, its decisions are subject to general economic and social policies as set out by the government during the period 1945 to 1950 and by the Social Economic Council from 1950 to the present. In this indirect manner, the Board is ultimately responsible to Parliament for its actions. Second, given the general recognition in the Netherlands of the fact that a wages policy could be successfully implemented and adhered to only if supported by the main participating parties, the BBA bound the Board to consultation with the Foundation of Labour on all questions dealing with wages and conditions of work. Although the Board is in no way forced to accept the Foundation's recommendation, it usually does so. Furthermore, the changing characteristics of Dutch wages policy have had their influence on the manner in which the Board carries out its functions. Prior to 1963, it is apparent that the exercise of its functions was generally limited to rubber-stamping the decisions of the Foundation of Labour. Subsequent developments, to be outlined below, have raised the Board's status to the sole body approving collective agreements.

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[4] College van Rijksbemiddelaars, Jaarverslag, (The Hague, 1945), p. 1. (Translated by author).

The Foundation of Labour

The origins of the Foundation of Labour (Stichting van de Arbeid) lie in the years of World War II when both labour and management refused to co-operate with the German-controlled "Labour Front". The result was that Dutch labour and management representatives proceeded to meet in secret in order to discuss items of mutual interest without German interference. Out of the co-operation that prevailed during the war grew the Foundation of Labour. On May 18, 1945, it was officially established as a private institution, completely separate from the government. Its purpose was to provide a deliberative body through which "lasting good social relations on the basis of organized co-operation between employers and workers"[5] can be achieved. More specific purposes include (1) to represent industrial viewpoints before government and public (2) to promote the development of collective bargaining and (3) to further the adoption of standard economic and working conditions in industry.[6]

Matters coming before the main Board of the Foundation of Labour may be referred to it by labour, management, government, or any other organization. All central labour and employers' organizations are represented and both have an equal number of votes in case

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[5] Foundation of Labour, (The Hague, Stichting van de Arbeid, 1950), p. 11.

[6] Windmuller, p. 109.

of a division. The Board of the Foundation meets weekly and agendas are distributed a day early so that informal discussions and consultations may take place prior to the formal meeting itself.

Although this paper is concerned only with the Foundation's activities with regard to wages policy, this is by no means the full extent of its scope. Aside from its advisory function to the Board of Government Conciliators, the Foundation dispenses advice to several other government agencies pertaining to matters of industrial relations. Accordingly, the Foundation has submitted to the Government and put into effect with its co-operation, measures regarding social insurance, health and safety, vocational training, and productivity. Many of these plans are now operated and supervised by Industrial Councils, containing labour and management representatives.

With respect to wages policy, the functions of the Foundation have varied since 1945. Previous to 1950, when the Social Economic Council had not yet been established, the Foundation advised the Board of Government Counciliators as to its views. Such advice would be given in two general situations. First, in the setting of annual allowable wage increases, a permanent wage committee of the Foundation (also having equal representation from both labour and management) would discuss the question using the general economic situation as a reference. At that time, wage increases were generally tied to cost of living increases in order to at least prevent the erosion of real wages. A percentage figure would be formulated and

a report presented to the Board of Government Conciliators.

The second situation in which the Foundation advised the Board of Government Counciliators was in case of an industrial dispute regarding wages. In such cases, the Wages Committee of the Foundation discussed the matter with the parties concerned and measured the demands and counter-demands against criteria of national wages policy. Special conditions justifying (or not) deviation from the general policy having been taken into account, the Foundation again made its recommendation. Consequently, the Foundation acted not only in an advisory capacity, but also as a private, non-government and non-statutory arbitration board: "This arbitration function of the Foundation of Labour is undoubtedly one of the most important factors which have contributed to the relatively favourable record of industrial peace"[7] which has prevailed in the Netherlands since 1945.

In 1950, the Government established the Social Economic Council with the purpose of determining and enunciating policy on broad economic and social issues (see below). Many felt at that time that the Foundation had become redundant and would lessen in influence. However, the value of the Foundation as a private and volunary deliberative organization was found to be such that it remained influential as before, gaining the function of main advisor to the Social

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[7] P.S. Pels, "The Development of Wages Policy in the Netherlands", Oxford University Institute of Statistics Bulletin, (1956) p. 221.

Economic Council on matters of labour-management relations, while retaining its advisory position vis-a-vis the Board of Government Conciliators.

In 1963 a number of social and economic pressures led the government to adapt the mechanics of Dutch wages policy to more current conditions. Prior to this time, the Foundation of Labour was indeed the "Heart of the System"[8] of Dutch wages policy. The Government's intention in 1963 was to formally accept the de facto predominant position of the Foundation by placing the responsibility of approving or disapproving collective agreement, previously held exclusively by the Board of Government Conciliators, in the hands of the Foundation. As will be outlined in a separate section below, this attempt failed, with the result that in December of 1966 the Foundation voluntarily and temporarily withdrew itself from the operations of wages policy. It took this action in order to be able to study the various aspects of the wages policy so that recommendations for its continued operation could be made.

The Social Economic Council

In January of 1950, as part of the Industrial Organization Act, the Dutch Government established the Social Economic Council (Sociaal Economische Raad, or SER). The government's intention in

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[8] B. Zoeteweij, "National Wages Policy: The Experience of the Netherlands", International Labour Review, LXXI, (1955), p. 152.

creating the SER was to broaden the base of its social and economic planning. This Council was thus designated to represent the public interest in these matters. Its composition reflects the continuing desire of the Dutch government to have all interested parties represented at the policy formulation stage. The SER therefore has 45 members, 15 appointed by labour federations, 15 by employers, and 15 independent experts appointed by, but not responsible to, the government. From 1950 to 1963, the SER's position in the formulation of wages policy was one of advising the Ministers of Social and Economic Affairs as to the state of the economy and, against this criterion, recommending a percentage wage increase. This report was prepared after consultation with the Foundation of Labour and in turn presented by the Ministers to the Board of Government Conciliators. With the advent of the new system of wages policy in 1963, this procedure was made more formal, as will be described in a section below.

General Principles of the Wages Policy

Thus, according to the above description, wages policy in the Netherlands has been implemented with the agreement and active participation of all those affected by it. Prior to 1963, the level of bargaining was shifted from the firm or industrial level to the national plateau so that wages and their rates of increase could be more easily correlated with the national economy and its requirements. The above

sections outline the process by which this was accomplished. It says nothing, however, of the criteria used by the agencies involved in arriving at specific decisions to maintain or increase wages.

The period since 1945 can be divided into four sections during which different criteria were utilized for the setting of wages. The first period, from 1945 to 1954, was the most critical for the Dutch economy and accordingly, controls were most stringent. Although war-time price controls were only gradually lifted during this time, wage increases were based on cost-of-living increases. These increases were related to a rather crude cost-of-living and skill differential system implemented in 1945. The Central Planning Bureau and the Board of Government Conciliators divided the Netherlands into 1200 areas, grouped into five zones to recognize cost-of-living categories. Difference in pay among the five zones ranged from two to 12 cents per hour, never allowing the differential to rise above 12 cents. Within these zones a basic rate of pay for an unskilled worker with a family of four was set. Semi-skilled labour received 10 per cent above that rate and skilled labour a further 10 per cent. Also during this time, wage increase figures enunciated by the Board of Government Conciliators were binding: the stated rate of increase was to be paid to labour, no more and no less. Exceptions to this stated policy were rare, and allowed only in such cases where a serious problem with respect to the allocation of labour could be dem-

onstrated.[9]

In 1954, with the passing of the most serious effects of reconstruction and the Korean War, some relaxation was introduced into the system to allow a somewhat greater range of earnings between unskilled and skilled workers.[10] During the previous nine years a serious shortage of skilled labour had been experienced and it was felt that this shortage was being aggravated by the inflexible differentials allowed. Accordingly, during the period from 1954 to 1959 stated allowable increases were set as maximums, so that the actual earnings increases were now determined by industry-wide bargaining sessions. However, since the shortage of labour increased, differentials were not widened a great deal: the maximum permitted increase was frequently the effective increase.

Further flexibility was introduced in 1956 when the Board of Government Conciliators, after consultation with the Foundation of Labour, decided to allow wage increases above the annual stated maximums provided such increments did not cause price increases.[11] Such extra wage increases, to be arrived at by industry level bargaining, allowed employees to take advantage of high corporation profits

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[9] College van Rijksbemiddelaars, Verslag van de Werkzaamheden Gedurende het Jaar 1950, (The Hague, 1950), p. 3.

[10] College van Rijksbemiddelaars, Verslag van de Werkzaamheden Gedurende het Jaar 1953-1954, (The Hague, 1954), pp. 3-4.

[11] College van Rijksbemiddelaars, Verslag van de Werkzaamheden Gedurende het Jaar 1955-1956, (The Hague, 1956), pp. 2-6.

where earned. Employers on the other hand could now use wages as a method of attracting scarce labour.

The third period, running from 1959 to 1963, was characterized by the use of annual average productivity increases as the yard-stick for wage increases. This change was the result of a substantial increase in the G. N. P., a continuing labour shortage, and by the fact that the current account of the balance of payments had shown a surplus for two years. The use of annual industry productivity increases was subject to one limitation, however, namely that wage increases based thereon would not lead to higher prices.[12]

This system was subject to several inherent difficulties. One such difficulty lay in the availability of accurate productivity statistics for particular industries. When the use of productivity criteria was contemplated, the Central Bureau of Statistics was instructed by the Government to provide applicable statistics to the Board of Government Conciliators and the Foundation of Labour. Figures provided were found to be unsatisfactory and inaccurate in a number of cases. This forced a revision of the plan so that an annual average of the past ten years and a projected figure for the following year were used.

The second problem was that of "laggard industries", those without an increase in productivity in previous years and not expected

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[12] College van Rijksbemiddelaars, Verslag van de Werkzaamheden Gedurende het Jaar 1959-1960, (The Hague, 1960), pp. 4-14.

to experience productivity increases in the near future.[13] Service and building industries were among these. The Board of Government Conciliators and the Foundation of Labour recognized the dangers inherent in such a situation and allowed a four per cent wage increase in these industries and others like it in order to prevent disparities. This decision had political overtones also. No government can allow a further lag, which was sure to occur if wages were retarded, in the house building industry in a country already suffering from a severe housing shortage.[14] Such difficulties and a further desire for greater flexibility in collective bargaining caused a basic revision of the system of wages policy in 1963.

Developments Since 1963[15]

In July of 1962, the SER published a report containing its recommendations with respect to changes in the system of Dutch wages policy.[16] The key point in the "Advies" was the SER's recommendation that the wages policy should strive for "greater freedom for

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[13] ibid., p. 12.

[14] E. M. Bussey, "Recent Wage Control Policy in the Netherlands," Monthly Labor Review, LXXXVII, (1964), p. 517.

[15] A great deal of the material below was provided by Mr. J.C. van de Vlerk, Adjudant-Secretaris of the SER, during an interview at the Hague, May 24, 1967.

[16] SER, Advies Inzake het Systeem van Loonvorming, (The Hague, 1963, No. 8).

organized industry together with a greater measure of responsibility."[17] In other words, the primary responsibility for wage determination was to be transferred to organized industry without sacrificing the original but still valid aims of the wages policy.

The mechanics of the system was complicated but still in accordance with the principle of full consultation among the parties concerned. Every six months the SER draws up an economic report indicating the general possibilities for an increase in wages given such factors as the nation's productivity level, its international competitive situation, the employers' ability to pay, the supply and demand of labour, and the balance of payments situation. This is followed by discussions with and in the Foundation of Labour so that other factors may be introduced. Having gained a clear insight into the situation, officials from the central employer and employee federations carry out "internal deliberations" with their respective branch groups on the industry level. The purpose of these deliberations is to impress upon those doing the actual bargaining the requirements of the national economy. Differences in opinion between rank-and-file members and the leadership are to be resolved at this point.

Collective bargaining follows upon the conclusions of "internal deliberations". Labour-management contracts are then forwarded to the Foundation of Labour and the Board of Government

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[17] ibid., p. 5. (translated by author)

Conciliators for approval, again within the framework of the SER bi-annual report.

In spite of the greater freedom for unions and management inherent in this system, the government did reserve for itself several emergency powers. When required by adverse wage-price developments, the government may proclaim a wage freeze, thereby allowing discussions with labour and management. If these discussions fail to lead to agreement, the Board of Government Conciliators is empowered to make independent decisions, without the advice of the Foundation of Labour, with regard to the approval or disapproval of collective bargaining agreements.

The system was implemented January 1, 1963; its failure was almost immediate. Due to the pent-up restraint of labour and continuing manpower shortages, wages rose by 15 per cent in 1964 and 11 per cent in 1965. The immediate cause of the failure lay in the refusal of labour to moderate its demands and the unwillingness of management to oppose these demands. Accordingly, the Foundation of Labour, stating that the basis of its authority in the area of wages lay in responsible collective bargaining at the industry level, withdrew entirely from this area in December of 1966. The functions of approving or disapproving collective agreements were placed with the Board of Government Conciliators. Since that time negotiations within the Foundation have failed to resolve the impasse, but it is generally expected that the Foundation will in due

time resume its activities in the area of wages.

Analysis and Evaluation

If judged by internal wage-price standards, Dutch wages policy has probably been only a little more successful in achieving its goals than any other. As shown in Appendix A, price stability was not achieved; the consumer price index rose by more than that of Canada, the U. S., West Germany, and slightly less than that of Sweden, the U. K., Norway and France.

This evaluation must, however, be qualified. Wages policy and wage-price stability are not the main goal nor the primary method by which the Netherlands intends to achieve its economic goals. This is clearly indicated by one of the first statements made by the SER after its organization.

> In each form of economic policy it is useful to distinguish between instruments of this policy and the concomitant goals . . . [It should be noted] that social and economic policy has available instruments other than wage and price policy, for example, income taxes, rates of exchange, and a large number of government payments and regulations. It is therefore impossible to consider wage-price policies in an isolated setting.[18]

This point is further supported by Edelman and Fleming.

> It can not be over emphasized, however, that wage and price stability as such have not been a major objective of Dutch economic policy. As a matter of fact, leading economists in the Netherlands argue that their system has little to do with wage inflation or cost-push theory . . . . Wage policy was conceived

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[18] SER, Inzake de in de Naaste Toekomst te Voeren Loon en Prijs Politiek, (The Hague, 1951, No. 1), pp. 7-8. (translated by author)

> and developed within a framework of multiple objectives, including not only wage-price stability, but also, and much more important, rapid economic growth, full employment, balance of payments equilibrium, equitable distribution of income . . . ."[19]

Thus the effect of wages policy in the Netherlands must be judged in terms of the broader national social and economic goals as outlined on page 56 in this chapter. It then becomes obvious that the wages policy and other economic tools have achieved a distinct measure of success. The growth rate of the Dutch economy from 1955 to 1966 was 5.1 per cent if measured on an average annual basis.[20] As previously pointed out, unemployment was low and job vacancies outnumbered the number of unemployed at a 2:1 ratio from 1955 to 1966 with the exception of the year 1958.[21] Since 1945, the Netherlands has experienced no serious difficulties in maintaining its balance of payments at a satisfactory level. Lastly, requirements of social justice have been met in that wages and salaries (excluding substantial transfer payments) have risen from 44 per cent to 52 per cent of the national income.[22]

One further consideration requires attention in measuring the success of Dutch wages policy. Given the high dependency of the

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[19]Edelman and Fleming, p. 273.

[20]OECD, General Statistics, (Paris, 1965), p. 86 and OECD, Economic Surveys; The Netherlands, (Paris, 1967), p. 9.

[21]OECD, Economic Surveys: The Netherlands, p. 11.

[22]OECD, General Statistics, p. 88.

Dutch economy on foreign trade and its position within the European Common Market (which constitutes the main Dutch trading flow) it must be remembered that the percentage increases in production costs as measured internally are not as important an indicator as is the absolute level of comparative costs as measured in the ECM. Since Dutch production costs have been considerably lower than those of her trading partners, wages have been allowed to rise accordingly. The importance of this consideration becomes greater in the light of the post-1963 developments. In spite of the unusually large wage increases in the period from 1963 to 1966, stricter measures of government wage control were not required until late in 1966. Dutch production costs were low compared to those of her trading partners, and the price increases caused by the wage hikes were not of sufficient magnitude to create potential problems for the balance of payments until late in 1966.

The wages policy specifically and its mechanics have over the past two decades evolved with changing conditions in the Dutch economy. This was due in part to the fact that as the economy recovered, the aspirations of the main participants, and especially labour, changed. The attitude of the government has basically remained the same throughout this period, namely that "a national wages policy is desirable from the viewpoint of economic and social policy."[23]

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[23] SER, Advies Inzake Herziening van het Loonpolitieke Stelsel, (The Hague, 1965, No. 10), p. 4. (translated by author).

The shifts in emphasis from central government 'control' to more responsibility for the participants on the industry levels, such as occurred in 1959 and again in 1963, came for political and other reasons. In 1959 a new government was formed and for the first time since 1945 the usual coalition did not include the Labour Party. This, combined with buoyant economic conditions and unions clammering for greater freedom in wage determination, accounted for the government's willingness to introduce relaxations into the system in 1959.

Union attitudes have also shifted some since 1945. In that year and in those that followed it, the federated unions (i. e. the three central unions, the NVV, CNV, and KAB) clearly saw the requirements imposed upon them by prevailing economic conditions and cooperated within the Foundation of Labour. Yet this type of wages policy, with a liberal dose of government control in spite of the frequent and full labour-management-government consultations, presented serious problems to the unions and their leadership. Primary among these was that of maintaining union membership and allegiance. The wages policy in the Netherlands prior to 1959 seemed to remove from the unions the last of their important functions. To assure national union and rank-and-file co-operation for the system, federation officials conducted a broad educational campaign, often at grass-roots level.[24] The new systems of 1959 and 1963 did much to reduce the magnitude

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[24] Zoeteweij, p. 171.

of these problems.

The attitudes of the respective union federations, and especially the confessional CNV and KAB, have not been radically altered since 1945. These two organizations have maintained their initial position that wages should be determined by those whom they concern most. CNV and KAB co-operation with the system prior to 1959 was therefore based more on the requirements of existing economic conditions than on any rational approach.

The attitude of the predominant NVV has altered somewhat more than that of the CNV and KAB. From 1954 to 1959 it curiously enough provided the main support for the system. Zoetewij provides us with a brief summary of the NVV's reasoning for this.

> 1. Full employment and high productivity are simultaneously attainable objectives and they are in the interest of the workers and their organizations.
>
> 2. Equal pay for equal work is in the view of the trade union movement a fundamental principle of equity.
>
> 3. The principle of equal pay for equal work rules out wage differential based on inter-industrial and inter-firm differences in profitability or capacity to pay, but demands a nation-wide and co-ordinated application of methods of job evaluation, rate setting and merit rating for the purpose of establishing an equitable wage structure.
>
> 4. Rigorous application of this principle forces less efficient firms and industries to raise their productivity or abandon business and makes it impossible for them to shift the burden of their inefficiency to the workers they employ.
>
> 5. Hence, the system of wages should be centralized.
>
> 6. Full employment cannot be achieved and maintained automatically but depends on specific policies, for which the govern-

> ment is responsible. The general level of wages is a strategic factor determining the success of such policies.
>
> 7. Hence, a Government pursuing full employment policies should be given decisive influence over the wage level.[25]

However, with the removal of the Labour Party from the government, and due to the problems associated with the wages policy system as implemented in 1959, the NVV also came out in favor of freer collective bargaining.

Employers' federations have since 1945 continuously advocated and welcomed the presence of government in the mechancis of wages policy. This is caused by two factors. In the first place, the structure of the employers' federations is such that the central organization has no control or power other than that of moral persuasion over its members. Thus the federations, and especially the CSWV, preferred some government control over their members in the absence of their own power to do so. This point was demonstrated in the breakdown of the 1963 wages policy system. According to Mr. van de Vlerk[26] the granting of high wages increases by employers on the industry level and the inability of the CSWV and the other two federations to reverse this caused the Foundation of Labour to withdraw from active participation in the wages policy. This leads directly into the second reason that the employers' federations prefer a greater measure of govern-

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[25] ibid., p. 157.

[26] see footnote 15, above.

ment control. In the SER report proposing the new system, a large minority, probably the employers, opposed free industry level bargaining. They contended that in times of manpower shortages it was unrealistic to expect organized industry to ignore its own interests in favour of those required by the national economy.[27] It was for this reason that the government reserved certain emergency powers for itself.

Despite the successes generally attributed to the economic and social policies of the past two decades in the Netherlands, the wages policy itself had to contend with some basic problems. Primary among these was the balancing of individual or corporate freedom and government control. As previously pointed out, the desire for more freedom in collective bargaining on the part of the CNV and KAB, and later the NVV, caused the adoption of looser government controls in 1959 and 1963. Certainly this difficulty must be resolved before the Foundation of Labour, without which it is hard to imagine a wages policy in the Netherlands will again participate.

A second problem facing policy makers in this area is that of 'wage drift', which in the Netherlands appears in the form of 'black market wages'. In spite of stringent regulations prohibiting higher than agreed upon wages, some individual employers do continue to use this method to attract labour. Its widespread use is indicated by the

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[27] SER, Advies Inzake het Systeem van Loonvorming, (The Hague, 1962, No. 8), p. 12.

general feeling on the part of Dutch economists that the 15 per cent wage explosion of 1964 was partly due to legalizing of previously paid 'black wages'.[28]

A further major difficulty for the wages policy is presented by the Netherlands' international trade pattern, including mainly the ECM. The fact that Dutch product prices have in the past ten years been generally lower than those of her competitors in the Common Market has tended to further increase the existing high level of demand. Such a condition creates further temptation for employers to pay 'black market wages', causes inflated profit margins, thereby increasing union restiveness and in general complicates the achievement of economic stability.

The system of 1959, using the productivity yardstick, pointed out the inadaquacies of existing statistical material. The primary requirement of this type of wages policy, i.e. that the statistics to be used be absolutely accurate and beyond reproach, was thus not met, with the resulting failure of the proposed system.

Finally, the system as implemented in 1963 brought forward questions regarding the degree to which criteria of national interest rather than those of self interest would be instilled into individual unions and employers. During the late forties and the fifties, the wages policy was generally successful due to the participation of the

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[28] CSWV, Documentatie-Weekbericht, (The Hague, July 27, 1965, No. 30), p. 596.

central labour and management federations. It is obvious that the individual members of these organizations were unwilling or unable to accept these same responsibilities. In other words, a situation similar to that existing in Great Britain may be the difficulty, namely a failure on the part of government and central labour and management federations to propose easily understood criteria for collective bargaining in the first place, and their failure to properly communicate these criteria down to the actual decision makers in the second place.

CHAPTER V

CANADA AND A WAGES POLICY

Summary of Findings

On the basis of the three wages policies analyzed in the previous chapters, it is possible to enunciate a number of tentative conclusions with respect to factors and influences that contribute to the success of failure of a wages policy.

1. Of primary importance is the fact that labour and management organizations in the Netherlands and Sweden (the two countries in which wages policy achieved a measure of success) were strongly and centrally organized. This type of structure is important for two reasons:

   (a) It facilitates the transmission of criteria by which the wages policy operates, from the policy making level to the collective bargaining level.

   (b) It assures compliance with the criteria at bargaining sessions. This point is clearly demonstrated by the Swedish wages policy, where both labour and management federations possess powers of reward and punishment over their members.

The necessity of strong labor and management federations is further illustrated by the negative results of Great Britain's attempts to implement a wages policy. As pointed out in Chapter Three, the co-operation of the TUC and the various employer organizations was of little practical value to the government. The weak structures of these associations and their lack of power in the area of collective bargaining played a large part in the failure of a wages policy in Great Britain.

2. Implementation of a wages policy and broad acceptance of the idea as such are facilitated if the initiative for it arises with private groups rather than with government. In Great Britain, initiative for a wages policy came solely from government sources during the period under review. However, in Sweden and the Netherlands, the impetus towards a wages policy came from labour and management; the fact that they were to a degree coerced into this position does not detract from this point. Rather, when subjected to pressure, both labour and management, due to the peculiarities of their attitudes and structures, were able and willing to adopt a wages policy.

3. As suggested in point number two above, some coercion may be of value in facilitating labour and managements' acceptance of the need for a wages policy, that is, if the coercion is applied in response to a legitimate national crisis of some sort. In Sweden, pressure was applied to the parties by the government through a demonstration of strength in 1950. In that year the Swedish government

imposed a wage-freeze due to economic upheavals brought on by the Korean War. In the Netherlands, conditions arising from the German occupation and the projected requirements of reconstruction brought labour and management together as a prelude to the establishment of the Foundation of Labour.

In Great Britain prior to July 1966, officials apparently did not feel that crises which had confronted that nation warrented a statutory wage freeze or other measures as were felt to be the case in Sweden. It will be remembered that the wage restraint policies of 1948 and 1962 were both voluntary. The wage freeze instituted in 1966 constituted the first attempt of the British government to apply strong pressure to labour and management. Since the policy is still in effect, its full consequences can not yet be determined.

4. National bargaining is an integral part of a wages policy for many of the same reasons as presented for strong labour and management federations. The criteria by which wages are to be determined are much more easily understood and implemented at the higher level. This is primarily because the participants of collective bargaining at the national level should also have been involved in the establishment of the criteria. It should not be construed from these comments that national bargaining by itself constitutes a wages policy as has been suggested by a number of writers. National bargaining can quite readily occur without the two parties taking into account matters of national interest as opposed to those of self-interest.

The experiences of the three countries are not conclusive as to the form national bargaining should take. Aside from rejecting the British procedure, it is not clear whether bargaining of this type should follow the Swedish or Dutch systems. In Sweden the national LO-SAF "master" contract is at times difficult to apply in so-called "islands of unemployment". The Dutch experiment is more varied, but only suggests negative answers. Country-wide wage setting such as practised prior to 1959 created labour allocation problems. The use of the productivity yardstick suffered from inadequate and unreliable statistics, and was contrary to the principles of "equal pay for equal work". And the system since 1963 lacked the required elements of control by the central organizations and responsibility on the part of the industry-level labour and management representatives.

5. Although it is not an absolute requirement, experience has shown that the implementation of a wages policy is facilitated if the government in power is connected with or sympathetic to the labour unions. This was the case in both Sweden and the Netherlands. In Sweden the Social Democrat Party (with which the LO is affiliated) has been in power during the entire period under review. In the Netherlands, the Labour Party either formed the government or was a predominant partner in coalition governments until 1959. As pointed out previously, it was only after the Labour Party went into opposition in 1959 that the NVV, the largest union, considered itself free to withdraw its support from the then prevailing system of wages policy. In

Great Britain, it was not until the Labour Party formed the government in 1964 that the TUC began to co-operate with efforts to formulate a wages policy.

The reason for this is not difficult to determine, for both Edelman and Fleming, and Fellner point out "the most difficult problems involved in securing greater stability of prices are fundamentally political — in the broad meaning of the word."[1]

6. Although it has not been emphasized throughout this study, the implementation of a wages policy requires as a companion a form of price control or restraint. This may take place through the strong use of fiscal and monetary measures as in Sweden, through direct controls if dictated by the circumstances of the situation as in the Netherlands, or through a voluntary approach of the type inherent in the National Board for Prices and Incomes as in Great Britain. Without a price "policy" it would be impossible under any circumstances to obtain the co-operation of labour which is necessary for a wages policy.

In this respect, it is once more of interest to look at the British situation. Prior to 1964, TUC policy had consistently stated that it would have no part of a wages policy without a corresponding policy for prices. When the Labour Government in 1964 did in fact begin to investigate the possibilities of a "wages-price" policy as opposed to a wages policy, the TUC lent more active co-operation.

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[1] Fellner, p. 12.

7. Finally, all three countries examined are geographically small, with relatively homogeneous populations and economics, and a unitary government. While this in itself is no assurance of success for a wages policy, it does provide a more likely background for such a policy.

Canada: General Economic Characteristics

Goals of the Canadian Economy

The goals of the Canadian economy are practically the same as those of the other Western economies. As indicated in the terms of reference of the Economic Council of Canada they are "full employment, a high rate of economic growth, a viable balance of payments, a reasonable stability of prices" and "an equitable distribution of rising incomes".[2] With respect to two of these goals, the E. C. C. has set specific targets to be achieved by 1970. For employment, a national annual average rate of 97 per cent has been set. This is considerably higherthan the average rate attained since 1945, although this level was reached in the years 1947, 1952 and 1953. For the average annual growth rate to 1970, the E. C. C. set a rate 5.5 per cent annually, which is also optimistic given Canada's past performance. In the period 1946 to 1963, this rate was 3.9 per cent.

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[2] Economic Council of Canada, First Annual Review: Economic Goals for Canada to 1970, (Ottawa, Queen's Printers, 1964), p. 1.

The Price Level Since 1945

As indicated in Appendix A and as stated by various commentators, "the Canadian record of price stability after 1951 is one of the best in the world".[3] The record in the period from 1945 to 1950 was less brilliant, primarily due to conditions remaining from the war economy. The price stability of the 1950's and early 1960's is mainly attributable to the comparatively low rate of growth attained by the Canadian economy in this period[4] and also to the application of restrictive monetary policies.[5] However, since 1965, expanding demand and other conditions have forced the consumer price index up at an increased rate. The increase in 1966 was 3.7 per cent and by May of 1967 a further 2.9 per cent increase had occurred. This is substantially more than the 1926 to 1962 record of 2.4 per cent annually, or the 1953-62 increase of 1.4 per cent.

Unemployment Since 1945

As indicated in Appendix C, the level of unemployment in Canada has been among the highest, if not the highest in the Western industrialized nations. With the exception of 1952, unemployment in

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[3] G. Wilson, S. Gordon, S. Judek, A. Breton, Canada: An Appraisal of its Needs and Resources, (Toronto, University of Toronto Press, 1965), p. 26.

[4] Economic Council of Canada, First Annual Review, p. 17.

[5] Wilson (et al), p. 29, 57.

Canada has been at or above three per cent consistently, and reached as high as seven per cent in 1958. As previously indicated, the E. C. C. has set a level of three per cent unemployment as an attainable goal in this area by 1970. Since this rate is a national annual average it is obvious that, if attained, and given the regional and seasonal factors in the Canadian economy, labour will become extremely scarce in many areas during the summer and fall months.

Summary

With respect to the general economic characteristics as outlined above, it would seem that within a limited range and over short-run periods, there is a difficulty in effecting the "trade-off" between the two conflicting goals of full employment and price stability. It is note worthy that in the periods of 1946 to 1948 and 1964 to mid-1967, high employment and relatively large increases in the consumer price index coincided. Whether or not a wages policy is warrented in Canada will thus depend on the continuance of present high levels of demand and their ramifications and on the level to which the stated policy of full employment will be attained. As stated by the Economic Surveys: Canada, 1965,

> The acceleration of the rise in price and wage costs, although moderate [at that time], will have to be watched. As further utilization of resources is achieved, pressure on costs and prices is likely to increase. The maintenance of price stability may therefore require vigourous action to strenghten the competitive forces in the economy, and further efforts to increase occupational and geographical mobility of labour . . . . Similar policies [to those in the United States, such as price-

wage guideposts] might also be useful in Canada, where conditions are not very different from those prevailing south of the border.[6]

Some Unique Characteristics of the Canadian Economy

Included in this section is a description of several characteristics unique to the Canadian economy, none of which are present in the three countries studies. Nevertheless, the exclusion of such factors would constitute a serious gap in any discussion of a Canadian wages policy. Hence, the specific problems they are likely to create for a wages policy will be discussed mostly on their own merit.

Regional Variations

Statistically and geographically, Canada is often divided into five regions: The Atlantic Provinces, Ontario, Quebec, the Prairie Provinces, and British Columbia. The economic differences among these regions are great.

With respect to income distribution it is found that per capita personal income varies from a high of $1807 in Ontario to a low of $1062 in the Atlantic Provinces.[7] Average annual incomes in 1959 ranged from $4494 in British Columbia to $3262 in the Atlantic Provinces.[8]

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[6] O. E. C. D. Economic Surveys: Canada, 1965, (Paris, 1965), p. 27.

[7] Wilson (et al), p. 108.

[8] ibid., p. 110.

Large disparities also exist in the industrial structures of these five regions. Statistics show that commodity production takes place largely in Central Canada; in 1959 Quebec and Ontario accounted for 67 per cent of the Canadian total for commodity production, with the Atlantic Provinces showing a mere 5.6 per cent. The remaining regions of Canada share 33 per cent of production, thus indicating their relative industrial underdevelopment and, concomitantly, their large dependence on primary industries. The indications regarding regional incomes and industrial structure are of course reflected in the relative compositions of the labour force and no further comment on this will be made.

Various studies prepared on this regional aspect of the Canadian economy demonstrate that these disparities have persisted over the past four or five decades regardless of variations in the national economy.[9] These studies and others make it very clear that correction of regional differences in a long-term project. Until corrected, however, the economic differences among Canadian regions is bound to create severe problems in the application of a national wages policy, especially if the wages policy is to assist in or at least

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[9]See for example, Economic Council of Canada, Second Annual Review, Towards Sustained and Balanced Economic Growth, (Ottawa, Queen's Printer, 1965), Ch. V.; and P. P. Proulx, "The Composition of Unemployment in Canada", Employment, Unemployment and Manpower, Fifteenth Annual Conference, Industrial Relations Centre, (Montreal, McGill University, 1964), pp. 36-55.

remain neutral to corrective measures. For example, under the system of a national "master" contract as used in Sweden, there is no guarantee that a wage increase judged correct for Ontario standards would be applicable to Maritime conditions. In other words, the problem of regional disparities would seem to suggest that a Canadian wages policy would have to be decentralized on a regional basis.

Foreign Trade: Its Volume and Direction

Also of interest to a wages policy is Canada's position with respect to foreign trade. In terms of aggregates, Canada is the fifth largest trading nation in the world. Total trade was US $12 billion in 1961. During the period from 1960 to 1964, exports were at 21 per cent of the G.N.P. while imports stood at 23 per cent.[10] In these respects, then, Canada's foreign trade is very similar to that of Great Britain, Sweden, and the Netherlands.

The unique aspect of Canadian foreign trade lies in its high volume of transactions with the U.S. In 1962, a full 58 per cent of Canada's exports went to the U.S. This high volume of exports to the U.S. has been steady and consistent since 1945. With respect to imports, the proportion of U.S. goods and services compared to all other countries is even higher. In 1963, for example, 68 per cent of all

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[10] O.E.C.D., Economic Surveys: Canada, 1965, (Paris, 1966), frontis page.

merchandise imported into Canada originated in the U.S. The result of this American preponderance in Canadian trade is that the Canadian economy, and especially its price levels, is very sensitive to developments in the U.S. This is reinforced by an examination of the composition of American imports, which reveals that U.S. merchandise imports are predominantly composed of (semi-) manufactured goods. In other words, a Canadian wages (and prices) policy will have to take into account U.S. developments. And while Canada has been fortunate in that the U.S. economy has maintained a very stable price level in the post-war period, there is no guarantee that this will continue in the future. Even if the U.S. should continue to maintain stable price levels, wage policy makers will face problems similar to those experienced by the Netherlands through its Common Market connections.

Foreign Ownership and Control

The fact of foreign ownership and control (especially by the U.S.) of Canadian industry is well documented and does not require elaborate exposition here. It is sufficient to say that U.S. and foreign ownership of Canadian industry is large and still growing. In 1959, for example, Canadian manufacturing was 51 per cent foreign owned and 59 per cent foreign controlled. Similar figures would describe the situation in the mining and petroleum industries.

The implications of foreign ownership of Canadian industry for a Canadian wages policy are not serious. As stated by observers

in this field, Canadian industry, whether domestic or foreign owned, operates according to economic precepts, among which profit maximization is predominant.[11] There is no reason to believe that wage decisions taken by officers of a foreign owned plant would be any different from those of a domestically owned plant.

Summary

It would appear that two of the unique characteristics of the Canadian economy, namely regional differences and the large volume of trade with the U.S., may present problems in the implementation of a wages policy. The former problem especially does not lend itself to an easy solution. The fact that radically different growth rates, income levels, and industry structures prevail in each of Canada's five economic regions would present significant difficulties in carrying out a Canadian wages policy.

The latter two points, a high level of trade with the U.S. and U.S. investment in Canada, combine to create the very close Canada-U.S. economic relationship that exists. As shown by Brecher and Reisman[12] Canada is extremely sensitive to the American business

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[11] See for example I. Brecher and S. S. Reisman, Canada-U.S. Economic Relations, (Ottawa, Queen's Printer, 1957), p. 137, and A. E. Safarian, "Foreign Ownership and Control of Canadian Industry", A. Ratstein, The Prospects of Change, (Toronto, McGraw Hill Co. of Canada Ltd., 1965), p. 235.

[12] ibid., Ch. 2-5.

cycle. They further state, however, that the transmission process by which this occurs is not limited to trade and investment links, but extends to such factors as patterns of technology, corporate decision-making, business confidence, and consumer behaviour.[13] Thus it is difficult to think that the Canadian economy could be insulated from U.S. influences. Even if this were achieved, Canada, as part of the world economy, would still be susceptible to the same pressures that currently influence the North American economy. Thus, it would seem that in implementing a wages policy, Canada would have to accept U.S. influence in her economy as a fact of life.

Federal-Provincial Division of Jurisdiction in Labour Relations

Canada, unlike the three countries studied, has a federal rather than unitary government structure. The consequent federal-provincial division of jurisdiction in matters pertaining to labour relations would create serious problems in the implementation of a national wages policy.

The basic cause of present day confusion in this area of labour relations lies in the fact that unions, labour, and labour relations are not specifically dealt with in the B.N.A. Act. A more general view of the constitution does little to mitigate this confusion. Under Section 91, the Dominion government was granted the power to regulate matters of trade and commerce. Under Section 92, however,

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[13] _ibid._, pp. 63-64.

the power to deal with matters of property and civil rights was given to the provinces. The fact that the B. N. A. Act specifically grants residual powers to the Dominion government did not prevent a subsequent Privy Council interpretation from electing to grant primary powers of regulating labour relations to the Provinces. The result is that "Ten provinces now have major responsibilities for legislation in a field which grows daily more important from the national point of view . . . ."[14]

Prior to the early twentieth century, little legislation existed to deal with labour-management relations. This was changed in 1907 when the Federal government passed the Industrial Disputes Investigation Act (I. D. I. Act) in response to a strike in Alberta mines. In addition to the mining industry, the I. D. I. Act also covered the transportation, communications, and public service utilities industries. However, in 1925 the legality of this act was upset, and the basis of general federal action in labour relations was ended. In the base of the Toronto Electric Commission vs. Snider, the Privy Council in London under Lord Haldane declared the I. D. I. Act to be ultra-virus on the grounds that the right to strike and lockout are civil rights and therefore within the jurisdiction of the provinces. The Federal government subsequently revised the act to cover a number of industries primarily federal in character, such as shipping, banking,

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[14] F. R. Scott, "Federal Jurisdiction over Labour Relations: A New Look," Industrial Relations, XV, (1960), p. 32.

communications and crown corporations. It is estimated that at present such legislation regulates the labour relations of a mere five per cent of Canadian employees.[15] Federal government powers in labour relations on a larger scale can now be instituted only in case of a grave national emergency.

The implications of this division of jurisdiction among 11 legislative bodies are varied. If a Canadian wages policy should take a voluntary form, free from government participation, no problems should arise from this aspect. However, if it were decided to support the implementation and institution of a wages policy with statutory measures, the problems likely to arise are many and immense. Each province would have to enact the same piece of legislation and each would have to interpret and enforce it in the same way. The alternative is that the Federal government pass the required legislation with the provision that if the provinces enact similar laws, the Dominion would administer it. This is presently the case with the 1948 Industrial Relations and Disputes Act. But although all the provinces except Quebec have passed similar acts, none have surrendered the administration of the statute. Past experience thus does not presage well for this type of approach to a national wages policy.

The Structure of the Labour Movement

The structure of the Canadian labour movement is very much

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[15] J. C. Cameron and F. J. L. Young, The Status of Trade Unions in Canada, (Kingston, Queens University, 1960).

a reflection of traditional forces operating in Canada. The labour movement is organized to attain policies similar to those of labour unions in other countries: the improvement of conditions of work, job security and higher pay. Further dimensions have been added to the structure of Canada's labour movement by the presence of Quebec within Canada and the proximity of the U.S. Hence, of the 1,736,000 trade union members in Canada, 1,282,000 are affiliated with the Canadian Labour Congress and 188,000 with the Quebec based Confederation of National Trade Unions.[16] The remainder belong to directly chartered local unions, to independent local unions, and to international unions not affiliated with either of the two Canadian central federations.

From the international point of view, 70 per cent, or 1,220,000 Canadian trade unionists are affiliated with international unions, that is to say, unions with membership in both the U.S. and Canada which are usually headquartered in the U.S. and operated by American personnel.

Canadian Labour Congress

The CLC, the largest of Canada's two central labour organizations, came into being in 1956 as a result of the merger of the Trades and Labour Congress of Canada and the Canadian Congress of Labour. Its main purpose is to represent Canadian labour on a national political

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[16] 1966 figures, from: Labour Organizations in Canada, (Ottawa, Economics and Research Branch, Department of Labour, 1966), p. viii.

level. Within the labour movement it provides such services as assistance for organizing, and the collection of data for use in collective bargaining.

The CLC does not have the power to participate in collective bargaining. Moreover, it probably has very little direct influence on the course of collective bargaining, although emperical evidence on this point is lacking. In this respect it has even less power than the TUC which can at least enter an industrial dispute when a work stoppage is imminent.

Confederation of National Trade Unions

The CNTU was established in 1960, growing out of the Canadian Catholic Confederation of Labour (CCCL). This reorganization of the French-Canadian labour movement came as a result of the general re-awakening of Quebec and a basic change of attitude on the part of French-Canadian labour leaders. The CCCL had been a confessionally oriented union, established with the backing of the Roman Catholic Church as a bulwark against socialistic and American unions. However, its humble, religious approach in labour relations proved ineffective with the industrialization of Quebec. As a result the CNTU is today very much more aggressive and militant in its approach, having shed its connections with the Church. Nevertheless, its structure is decentralized and its power in collective bargaining as limited as that of the CLC. In addition, relations between the CNTU and the

CLC are not always harmonious. This is due to jurisdictional problems and also to the traditional hostility between craft unions (now in the CLC) and the Catholic syndicates.

International Unions

International unions are an integral part of the Canadian labour movement. As demonstrated by C. B. Williams, international unions came about due to:

> (1) the extension of product and labor markets within Canada as a result of American participation in the Canadian industrial economy, and more importantly and for the same reason, the extension of Canadian and American product and labor markets across the international boundary, and (2) the superior development of the national labor organizations in the United States . . . which afforded an established and proven system of protection as contrasted with the alternative of creating a wholly Canadian organization for such purposes.[17]

The question of whether or not the presence of international unions in Canada may create problems for the implementation of a Canadian wages policy can be answered only by examining the degree to which the international controls the actions of its locals. At first glance it would appear that the potential for such control is great. With few exceptions, membership in the internationals is predominantly American, its leaders are American, and its policies therefore largely American. Collective agreements signed at the local level are in most cases subject to international approval, as are strikes

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[17] C. B. Williams, "The Development of Canadian-American Trade Union Relations," Industrial Relations, XXI, (1966), pp. 334-35.

and other conflicts. Furthermore, according to legal views in the U.S. since accepted in Canada, a local union affiliated with an international is not an entity in itself: "The local has no rights apart from any assigned to it in the international constitution."[18]

The actual exercise of this potential control is alleviated by a number of factors. In the first place, the functions of the internationals are closely limited by their constitutions. Second, a study by Marcus concluded that minority groups, such as Canadians or Negroes, within international unions are frequently given disproportionate representation on union executive boards.[19] Thus, a Canadian point of view is likely to be presented in the formulation of policies. Third, Canadian districts of an international are frequently headed by Canadian trade unionists.[20]

Although it is extremely difficult to generalize on this subject, it would appear that in practice Canadian locals of international unions are not unduly subject to policies contrary to Canadian interests. This point was stressed by the TLC and CCL in their submission to the Royal Commission on Canada's Economic Prospects. The brief strongly rejected charges that international unions force Canadian

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[18] S. Jamieson, Industrial Relations, (Ithica, N.Y., Cornell University Press, 1957), pp. 68-69.

[19] P.M. Marcus, "Union Conventions and Executive Boards," American Sociological Review, XXXI, (1966), pp. 61-70.

[20] Brecher and Reisman, p. 211.

workers to accept wage and other policies inimical to Canadian conditions.[21] With respect to the question of the transfer of U.S. wage demands to Canada through the link of international unions, Brecher and Reisman stated that the evidence indicates that "Canadian locals of international unions, like all local unions, look chiefly to such factors as the employers' ability to pay, wage rates in other Canadian regions and industries, increased mechanization, the overall level of employment and changes in the cost of living" when bargaining.[22] This contention is supported from another direction by the conclusions of an emperical study by B. Downie.[23] This study of four industries with international unions showed that "international pattern bargaining" was transmitted through such independent variables such as geographical proximity of the U.S. and Canadian industries, the volume of Canadian exports to the U.S. in that particular industry, and the Canadian or American ownership of the industry. The question of the presence of an international union is thus shown to be incidental, although it must be admitted that in some cases, such as the automobile industry, the existence of a strong international union probably facili-

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[21] Joint Submission of the TLC and CCL to the Royal Commission on Canada's Economic Prospects, February 27, 1956, p. 29.

[22] Brecher and Reisman, p. 218.

[23] B. Downie, "International Influence on Collective Bargaining in Canada," Domination or Independence? The Problem of Canadian Autonomy in Labor-Management relations, 16th Annual Conference, Industrial Relations Centre, (Montreal, McGill University, 1965), pp. 98-120.

tates the transmission of demands for wage parity.

Summary

In comparing the structure of the Canadian labour movement with those of Great Britain, Sweden and the Netherlands, the decentralized nature of Canada's labour movement is found to be similar to that of Great Britain. In this respect to would seem unlikely that a national Canadian wages policy can be successfully implemented. Not only would such a policy be subject to formulation by two central labour organizations, but their participation would be meaningless in the operation of a policy. National and international unions, notwithstanding the latter's independence from American policies, would still be free to follow their own individual wages policies.

The Structure of Management Organizations

In Canada, two national employers' organizations exist which might be able to take part in a national wages policy. However, as in Great Britain, and unlike Sweden and the Netherlands, these organizations at present have no power to actively participate in the processes of collective bargaining. The Canadian Chamber of Commerce, with a membership of 850 chambers and supported by 2,600 companies, has the most wide-spread coverage. Its objectives, as stated in the Chamber's 1967 Roster of Members, are:

1. To provide business and the community with a strong voice at Ottawa.

2. To promote the progress of Canada's system of competitive enterprise.

3. To improve Canada's trading position and to build international good-will.

4. To maintain fair relations among labour, management, and government.

5. To stimulate and preserve a strong national unity.[24]

The Chamber's chief method of attaining the stated objectives is through annual submissions to the Cabinet on these matters. With respect to wages and collective bargaining, the Chamber limits itself to public statements indicating the need to maintain the level of wages as required by national economic conditions.

The Canadian Manufacturers' Association (CMA) is also a voluntary organization. Its main function is to promote the interests of Canadian manufacturing industries and employees. Its membership numbers 'several thousands' of companies. With respect to industrial relations the CMA maintains an Industrial Relations Department for research and information purposes. This department provides data on collective bargaining agreements, federal and provincial labour laws, fringe benefit programs, and conciliation and arbitration procedures. As with the Chamber of Commerce, neither the CMA nor its Industrial Relations Department take part in collective bargaining or make specific recommendations in this field.

As previously stated, membership in these organizations is

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[24]The Chamber of Commerce, Roster of Members, 1967, p. 3.

voluntary and both the Chamber and the CMA are loosely structured. As such, neither are at present capable of active participation in a Canadian wages policy, as they can not exert much influence over the actions of individual members in the area of wages.

The experience of the wages policies in Great Britain, Sweden, and the Netherlands fail to indicate conclusive effects of this type of management organizations. It is of value to note that among the reasonably successful wages policies, i. e. those in Sweden and the Netherlands, variations in the structure of management organizations do exist. Swedish wages policy is operated with relatively little government participation due to the fact that the structures of labour and management organizations are centralized and are thus able to exert considerable control over their members.

In the Netherlands, on the other hand, the management organizations take part in collective bargaining on a national level, but are unable to control the actions of the members. This, among other considerations, has tended to place the functions of enforcement on the government to a greater degree. A similar trend is discernable in British wages policy.

The present structure of Canadian management organizations is thus not wholly prohibitive to the implementation of a Canadian wages policy. If unchanged, however, one might speculate that the structures may lead to a greater degree of government participation than would be tolerated.

Wage Determination in Canada

Given the heterogeneous character of the Canadian economy and its components, it is not surprising that wage determination should be decentralized. All factors previously mentioned, such as the regional differences, provincial jurisdiction in labour relations, and the loose structures of labour and management organizations contribute to the decentralized character of Canadian wage determination.

In an analysis of collective bargaining agreements covering more than 500 employees in force in 1962, G. Saunders found that 248 out of 429 agreements, or 58 per cent, covered employees in a single establishment.[25] Multi-establishment bargaining (one firm, several plants - one union, several locals) occurred for 104 contracts. The remainder of the contracts in force were geographically delineated, that is, they were signed by several employer and union organizations in a city or region.

Decentralized bargaining, together with the forces that created it, has resulted in a wage structure that exhibits wide occupational, industrial and regional differences. As stated by Saunders, in each case differentials were wide in the pre-war period, narrowed during and immediately after the war, and increased again in the past

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[25] G. Saunders, Wage Determination in Canada, (Ottawa, Department of Labour, Economics and Research Branch, 1965), p. 12.

fifteen years.[26]

Exceptions to the above situation in the structure of wages do exist. In industries such as railroads, which are under federal jurisdiction, and meatpacking, which practises national bargaining in spite of the constitutional impediments, regional and occupational wage differentials tend to be much less pronounced or even non-existent. In other industries, such as basic steel, pattern bargaining has created an almost equal wage structure.[27]

The implications for a wages policy of the system of wage determination and the resulting wage structure are varied. Using the background of the experiences of Great Britain, Sweden and the Netherlands, it is seen that prior to implementing a wages policy, or attempting to do so, each country's system of wage determination was as decentralized as Canada's is at the present time. In Sweden and the Netherlands, conditions were such that centralization of bargaining was relatively painlessly achieved. In Great Britain, on the other hand, the structure of union and management organizations prevented such centralization. With respect to Canada, then, it would seem that impediments to the establishment of a more national and centralized system of wage determination lie in the conditions that created the present system, rather than in the system itself. Once

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[26] _ibid._, pp. 27-32.

[27] C. B. Williams, _Collective Bargaining and Wage Equalization in Canada's Iron and Steel Industry, 1939-1964_, An unpublished study.

problems such as the regional differences in Canada, the division of jurisdiction in labour relations, and the decentralized nature of labour and management organizations have been tackled, the system of wage determination will adapt itself to these new conditions. It would perhaps be even more accurate to consider regional economic differences as the main problem in this respect. F. R. Scott demonstrates that the latter two situations can be overcome in his description of national bargaining within the meatpacking industry.[28]

Conclusion

Prospects for a Wages Policy

It should at this time be reemphasized that it was not so much the intent of this study to advocate a Canadian wages policy as it was to delineate and point out some of the problems that an attempt to implement such a policy will face. In spite of the fact that a wages policy may be justified on the basis of the performance of the economy in recent years, its implementation would be impeded by a number of inherent structural and institutional factors.

The difficulties presented by the structures of the central labour and management organizations are serious but not insurmountable. As shown in the Netherlands and Sweden, such organizations are capable of evolution and may do so in Canada provided the pressures

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[28] Scott, pp. 42-43.

placed upon them are strong enough, and if a wages policy of an acceptable form is envisaged. Furthermore, such organizations are very much formed and operated according to the environment in which they conduct their affairs. For example, a change in the present system of regulating industrial relations would create a more favorable climate for national bargaining. Union officials have in the past stated their preference for national bargaining through amending the B.N.A. Act.[29]

Nor is the situation as presented by close Canadian - American economic relations a sizeable problem. As previously mentioned, this relationship is pervasive and runs deeply through the history of Canadian economic development. As such, it is a problem that will have to be recognized in the formulation of a wages policy. But it is not one which demands, or is susceptible to, immediate solution. Rather, policy makers will have to work with and around it.

In the final analysis then, it is Canadian regional economic differences that provide the predominant difficulties. And unlike the above situations such as the B.N.A. Act and the structures of labour and management organizations, this problem is not subject to solution through discussions, negotiation, and the stroke of a pen.

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[29] See for example C. Kidd, "A Union View of Government in Labour Relations," The Role of Government in Collective Bargaining, 12th Annual Conference, Industrial Relations Centre, (Montreal, McGill University, 1960), p. 82.

Different conditions of growth, demand, employment and labour among Canada's five economic regions present several problems to the development of a national Canadian wages policy:

1. In spite of the fact that, as demonstrated, a wages policy should be national in scope, it is doubtful that inclusion of a region such as the Atlantic Provinces could be justified. The use of a wages policy in Sweden and the Netherlands shows that it should be implemented as part of wider policies such as those intended to promote economic growth and social equality. The peculiar economic characteristics of the Atlantic Provinces, and the disparities among the remaining regions are such that a wages policy would be more likely to impede than contribute to the solutions of these problems.

2. The setting of a target figure for wages in the economy as a whole would be extremely difficult due to regional disparities. For example, the Dutch experience demonstrates that the degree to which a realistic wage increase figure is achieved depends heavily on the level of demand for labour. In Canada, it is possible and likely that a target figure realistic vis-a-vis the Ontario demand for labour may be entirely wrong according to the demand for labour in British Columbia or Nova Scotia.

3. Although no empirical evidence to support it exists at present, one could speculate that the differences among regions are not limited to matters of economics. It may be very possible that the values and attitudes of regional inhabitants also vary. This being the

case, it might be well to remember that the definition of wages policy states in part "that they [the authorities] should seek to promote public agreement on the principles which should guide the growth of incomes." Given the possible variation of regional values, it may be extremely difficult to in fact attain a high level of national public agreement on the precepts of a proposed wages policy.

Thus, using the experiences of Great Britain, Sweden, and the Netherlands as a yardstick, it would appear that a wages policy as defined in Chapter one and as demonstrated in two of the three countries would be extremely difficult to apply with success in Canada in the near future. Drastic, if not impossible changes would be required in the constitution and the structures of labour and management organizations. However, presupposing such corrections, regional differences remain as the primary obstacle.

Alternatives

Basically, four alternatives are immediately obvious:

1. It may be completely defensible to do nothing and allow wages, costs, and prices to develop as they are now. Justification of such a "wage policy" will depend on whether the Canadian economy continues to behave as it has in the past two years. It may be quite possible that the economy will return to the levels of the late 1950's during which actual output as a percentage of potential output fell as low as 92 per cent in the non-agricultural sector.

2. The use of exhortations for voluntary restraint may also be considered as an alternative. However, under such a system, many of the problems that beset a wages policy will arise. For example, what constitutes restraint, and once it is defined, how is its scope and level to be communicated to the very large number of wage-price decision makers?

3. A third alternative, the use of wage-price guidelines on the U.S. model, suffers from the same defects as those mentioned for voluntary restraint.

4. The alternative of direct controls is obviously too severe a measure and would be impossible to impose in Canada without the excuse of a grave national emergency.

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APPENDIX A

CONSUMER PRICE INDEX, 1953=100

	The Netherlands	Sweden	U.K.	Norway	France	Canada	U.S.	Germany	Belgium
1946	-	71	-	-	-	61	70	-	-
1947	-	73	70	-	-	68	85	-	83
1948	-	76	77	-	-	84	93	-	95
1949	83	78	79	74	70	87	89	99	92
1950	91	79	81	78	77	89	90	93	91
1951	99	92	81	90	91	98	97	100	99
1952	100	99	97	98	101	101	99	102	100
1953	100	100	100	100	100	100	100	100	100
1954	104	104	102	104	100	101	100	100	101
1955	106	104	106	105	101	101	100	102	101
1956	108	109	112	109	103	102	102	105	104
1957	115	113	116	112	106	106	105	106	107
1958	117	119	119	118	122	108	108	110	108
1959	119	120	120	120	129	109	109	111	109
1960	120	124	121	121	134	111	111	113	110
1961	123	127	125	124	139	111.5	112	115	111
1962	126	133	130	131	145	113	113	119	112
1963	132	137	133	134	152	115	114.5	122	115
1964	139	142	137	142	157	117	116	125	120
1965	147	149	144	148	161	120	118	129	124

Sources: International Labour Review, vol. 65, 1952: for 1946-1951.
International Labour Review, vol. 75, 1957: for 1952-1955.
Bulletin of Labour Statistics, I. L. O., 1966, 4th ed., for 1956-1965.

APPENDIX A

(continued)

Canada: Consumer Price Index (1949=100)

1945		75.0
1946		77.5
1947		84.8
1948		97.0
1949		100.0
1950		102.9
1951		113.7
1952		116.5
1953		115.5
1954		116.2
1955		116.4
1956		118.1
1957		121.9
1958		125.1
1959		126.5
1960		128.0
1961		129.2
1962		130.7
1963		133.0
1964		135.4
1965		138.7
1966		143.9
1967	January	146.0
	February	146.1
	March	146.5
	April	147.8
	May	148.1

Source: Wilson, Gordon, Breck and Judek, Canada: An Appraisal of its Needs and Resources, p. 28.

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APPENDIX B

WHOLESALE PRICE INDEX, 1953=100

	The Netherlands	France	West Germany	Belgium	U.K.	Sweden	Norway	U.S.
1950	87	78.3	85	93	85.3	78	77	93.6
1954	101	98.3	98	99	100.3	99	102	100.2
1955	102	98.1	100	101	103.4	103	104	100.5
1956	104.5	102.4	102	104	107.3	108	109	103.8
1957	107.4	108.2	103	106	110.7	110	113	106.8
1958	105.2	120.7	103	102	111.4	107	111	108.3
1959	105.9	126.5	102	101	111.8	107	111	108.4
1960	103.2	129.7	103	103	113.3	111	112	108.6
1961	102.8	132.4	105	102	116.3	113	113	108.2

Source: M. Edelman and R.W. Fleming, <u>The Politics of Wage Price Decisions</u>, p. 271

APPENDIX C

UNEMPLOYMENT

(Figures in 000's)

	The Netherlands		Sweden		U.K.		Norway		France	
	No.	%	No.	%	No.	%	No.	%	No.	%
1937	369[1]	-	67	10.8	1,324[1]	8.5	30	-	335[2]	-
1946	89	-	28	3.2	390	2.5	12	2.0	16	-
1947	46	-	24	2.8	442	2.0	9	1.2	1	-
1948	42	-	26	2.8	326	1.5	9	1.3	17	-
1949	42	1.5	26	2.7	328	1.6	8	1.0	131	-
1950	58	2.0	22	2.2	332	1.6	9	-	150	-
1951	67	2.3	18	1.8	264	1.2	11	-	120	-
1952	104	3.5	22	2.3	368	1.7	12	1.2	132	-
1953	83	2.7	27	2.8	356	1.7	14	1.5	180	-
1954	60	1.9	25	2.6	302	1.4	13	1.3	183	-
1955	41	1.3	24	2.5	243	1.1	13	1.2	159	-
1956	30	0.9	19	1.7	258	1.2	14	1.4	112	-
1957	41	1.2	23	1.9	327	1.5	15	1.4	81	-
1958	81	2.3	32	2.5	451	2.0	24	2.3	93	-
1959	63	1.8	27	2.0	480	2.2	23	2.2	140	-
1960	41	1.2	19	1.4	377	1.6	17	1.7	131	-
1961	31	0.9	17	1.2	347	1.5	13	1.2	112	-
1962	30	0.8	19	1.3	467	2.0	15	1.4	101	-
1963	32	0.9	20	1.4	558	2.4	18	1.7	96	-
1964	28	0.8	17	1.4	404	1.8	16	1.4	97	-
1965	33	0.9	17	1.1	347	1.5	13	1.2	141	-

APPENDIX C

UNEMPLOYMENT

(Continued)

	Canada		U.S.		West Germany		Belgium	
	No.	%	No.	%	No.	%	No.	%
1937	406[3]	9.1	7,700	14.3	-	-	126[4]	13.8
1946	97[4]	3.9	2,270	3.9	-	-	67	4.5
1947	68	3.0	2,142	3.6	595	-	68	3.5
1948	89	3.6	2,064	3.4	604	4.3	129	6.4
1949	136	5.4	3,395	5.5	1,263	8.5	235	11.7
1950	162	6.0	3,142	5.0	1,585	10.2	224	10.9
1951	148	4.8	1,879	3.0	1,432	9.0	153	7.3
1952	155	2.9	1,932	3.1	1,379	8.4	174	8.3
1953	162	3.0	1,870	2.9	1,259	7.5	184	8.8
1954	247	4.6	3,578	5.6	1,221	7.0	167	8.1
1955	244	4.6	2,904	4.4	928	5.1	116	5.7
1956	197	3.4	2,802	4.2	761	4.0	54	2.6
1957	278	4.6	2,936	4.3	662	3.4	39	1.8
1958	432	7.0	4,681	6.8	683	3.5	71	3.3
1959	372	6.0	3,813	5.5	480	2.4	74	3.5
1960	446	7.0	3,931	5.6	237	1.2	48	2.3
1961	466	7.1	4,806	6.7	161	0.8	40	1.9
1962	390	5.4	4,007	5.6	142	0.7	38	1.8
1963	374	5.5	4,166	5.7	174	0.8	50	2.3
1964	324	4.7	3,876	5.2	157	0.7	27	1.2
1965	280	3.9	3,456	4.6	139	0.6	37	1.6

1. Unemployment registered
2. Applicants for work registered
3. Labour force sample surveys
4. Compulsory unemployment insurance statistics

Source: 1937-1951: International Labour Review, vol. 65, 1952.
1952-1955: International Labour Review, vol. 75, 1957.
1956-1965: Bulletin of Labour Statistics, I. L. O., 1966, 4th ed.

APPENDIX C

(continued)

UNEMPLOYMENT

Canada: Some Recent Figures

1966		
January	359,000	5.1 %
February	356,000	5.0
March	341,000	4.8
April	298,000	4.1
May	247,000	3.3
June	230,000	3.1
July	244,000	3.1
August	228,000	2.9
September	205,000	2.7
October	195,000	2.6
November	238,000	3.2
December	266,000	3.6
1967		
January	381,000	5.2
February	396,000	5.4
March	400,000	5.3
April	365,000	4.9
May	314,000	3.9

Source: Canadian Statistical Review, vol. 42, no. 7, July 1967, p. 16.

APPENDIX D

WAGE INDEX IN MANUFACTURING SECTOR, 1953=100.

	The Netherlands	Sweden	U.K.	Norway	France	West Germany	Belgium
1950	88	68	81	75	-	77	-
1953	100	100	100	100	100	100	100
1956	128	120	124	120	130	119	115
1957	145	128	133	127	143	129	125
1958	151	135	137	-	158	138	131
1959	153	140	142	-	168	145	133
1960	167	149	155	-	182	158	138
1961	182	162	164	-	-	174	-

Source: M. Edelman and R.W. Fleming, The Politics of Wage Price Decisions, p. 271.

APPENDIX E

EXCERPTS FROM 1960 LO-SAF FRAME AGREEMENT

SAF and LO arrived at the following agreement on March 18, 1960.

The parties bind themselves to work for the prolongation of those agreements which have been terminated, or which, if terminated, would expire before September 30, 1960, for a period of two years from the normal date of expiry of the agreements. The following provisions are to apply:

A. Wages

For the first year of the agreement:

A sum is placed at the disposal of the parties to particular contracts such that the average level of earnings per hour worked by adult workers at the date of expiry is raised by 3%, minimum 16 öre, for workers paid by results, and by 18 öre an hour for workers paid by time wages.

The calculation of this sum is to include the amount necessary to increase the average earnings of juvenile workers by the same percentage figure as that for adult workers covered by contract.

The parties to each particular contract can agree as to the precise allocation of wage increases within this cost framework.

Changes in wage tariffs which exceed the adjustments of earnings and in the general provisions of contracts which have financial implications are to be accomodated within the cost framework indicated. However, this does not apply to changes in subsistance, travel and tools allowances, or to compensation for other direct outlays which arise from higher costs that have occurred since these were last adjusted.

For the second year of the agreement:

A sum is placed at the disposal of the parties to particular contracts such that the average level of earnings per hour worked by adult workers at the date of expiry is raised by 3%, minimum 16 öre, for workers paid by results, and by 19 öre per hour for workers paid by time wages.

The calculation of this sum is to include the amount necessary to increase the average earnings of juvenile workers by the same percentage figure as that for adult workers covered by a contract.

The parties to each particular contract can agree as to the precise allocation of wage increases within this cost framework.

Notes:

(a) Deleted
(b) Deleted
(c) Deleted
(d) Deleted
(e) Deleted
(f) Deleted

B. Women's wages

SAF and LO are agreed on the principle of equal pay for equal performance suggested by the 1950 committee on female labour. The parties recommend their affiliated organizations to change the structure of their agreements in accordance with this principle over a five year period, so that they dispense with the designations 'men' and 'women' and replace these with job classes. In this revision particular regard should be paid to the need for differentiating wages. During the coming contract period discussions should take place at branch level about the new provisions in contracts, and this reform is to be regarded as a technical problem. Should the reform entail higher costs, it is to be made the subject of the ordinary negotiations on new contracts. All provisions in collective contracts which prevent equality of treatment of men and women in doing the same kind of work should be eliminated.

C. Working hours

The parties are agreed that reductions in the hours of work and in the disposition of working hours should be made in such a way as to avoid interruptions in production. Variations in hours of work at different periods and at different periods (sic) of the year are permissible, and in addition firms covered by the same contract can arrange the hours of work to suit their own circumstances.
Note: Deleted.

D. Particular common contracts

This agreement also applies, unless specific provision to the contrary has been made in contracts, to contracts which have

already been arrived at, and to questions already regulated in them. The negotiations on contracts for market gardens covered by the SAF will be concluded after the agricultural price agreement has been settled. Any disputes that arise between the parties to these contracts which they cannot themselves resolve will be settled jointly by the SAF and LO.

E. Negotiations at union level

SAF and LO bind themselves to work for the bargaining at union level concerning the application of this agreement being concluded as soon as possible, and by April 9, 1960, and one month before the provisions covering the second year come into force, at the latest.

Any disputes outstanding between these organizations which they have not settled by the dates given above will be resolved jointly by the SAF and LO.

F. Contracts outside the common coverage of SAF and LO

SAF and LO undertake to work for the principles governing this agreement to be applied for other groups besides those directly affected by the agreement, with the exception of those contracts specifically named in the minutes of the negotiations.

G. Acceptance of the agreement

Each party undertakes to inform the other by March 21, 1960 at the latest whether this agreement has been accepted.

Source: T. L. Johnston, Collective Bargaining in Sweden, pp. 349-51.